

## Insurance Operations Final Exam Fall 2010 Review

### Topical Listing of Basic Course Concepts

Principle of Indemnification

Definition of Insurance

Insurable vs. Non-insurable Risks – Pure vs. Speculative, Particular vs. Fundamental, Static vs. Dynamic

Definition of the Risk Management Process as a total quality improvement process

The most important and difficult step in the risk management process

Proximate Cause of Loss

Adverse Selection

Subrogation

Mortgagee Clause within Property Insurance – setting up a third party relationship to the insurance contract

Different Types of Insurance Organizations – Mutual, Stock, Fraternal, Reciprocal, Lloyd's Exchange

Characteristics of an insurable risk

Measures of Financial Strength --- Loss Ratio, financial combined ratio, admitted assets in relation to the size of the insurer's reserves

Differences in Accounting Requirements --- GAAP/Statutory for Stock Insurance Companies, Statutory Reporting for Mutual Insurers

Legal Framework – Void vs. Voidable Contracts, Paul vs. Virginia, Southeastern Underwriter's Case, Public Law 15, Financial Services Act [Graham-Leach- Bliley]

Differences in rate filings by state jurisdiction – File and Use vs. Prior Approval laws

Material Representation and how it differs in terms of application for a casualty policy vs. a life insurance contract

Differences in the application of insurable interest between casualty vs. life insurance contracts

Difference between a direct vs. an indirect damage loss

Different types of services provided by the functional areas within the insurer's operations – Marketing [direct writing, independent agency, exclusive agency], accounting, investments, actuarial, underwriting, claim settlement, legal

Three requirements that an insurer must meet when setting rates

Examples of what might constitute good examples of the application to insurable risks based on their risk characteristics [e.g. life insurance], in contrast to those instances where the risks should not be covered [e.g. deposit insurance]

Differences in the various managed care plans --- Indemnity, HMO stand alone, HMO Network, PPO plan

Calculation of probabilities of survival using the 1958 CSO Mortality Table

Calculation of probabilities of death using the 1958 CSO Mortality Table

Calculation of the premium on a straight life annuity for a given issue age and term of benefit

Calculation of a term life insurance premium for a given issue age and a specific term of coverage

Characteristics of the PPO Plan, HMO stand-alone model or the HMO network model

Special legal principles found within the insurance contract – Utmost good faith, aleatory contract, contract of adhesion, unilateral contract

Reinsurance – Facultative vs. Automatic contracts, pro-rata vs. stop loss

Life Insurance - Best and worst times to buy a life insurance policy or an annuity based on age, the premium cost relative to age at issue and the types of benefits purchased , Difference between term life insurance vs. permanent insurance [whole life, variable life, universal life], Advantages and Disadvantages of term vs. permanent life insurance , underwriting factors to consider when setting a premium for life insurance vs. a life annuity