

Insurance Operations Topical Review for Exam 2 on 11 10 2017

Proximate cause of loss in relation to settling a casualty insurance claim

Different types of adverse selection that a casualty or life insurer may face when underwriting coverage

Definition of insurance based on pooling of risks – financial arrangement that redistributes the costs of unexpected losses amongst a pool of insureds

Nonforfeiture provisions in a whole life policy: extended term insurance, reduced paid up whole life insurance, policy loan provision, reinstatement clause

Vicarious liability in the case of automobile insurance --- the insurance on the car is primary

Calculation of a partial loss settlement on a HO policy with an 80% co-insurance provision

Medical expense coverage on an HO policy and how the extent of coverage is different from a PAP [personal auto policy]

Settlement for an accident involving liability and collision loss with a deductible ---

Which type of life insurance coverage would carry the highest premium and produce the fastest growing cash value [all other things being equal]

Elements in the HO policy that reinforces the principle of indemnity – subrogation, actual cash value, exclusions that reduce settlement for jewelry, silver, items lost due to theft

Reasons for denying coverage in an HO policy – lack of insurable interest, not an insured party, material misrepresentation

Different methods for identifying potential risks when covering commercial property – walking tours, checklists, flowcharts, interviews with employees

Differences between claims made versus occurrence based underwriting in products liability insurance

Unique features of the Life Insurance Contract – incontestability, suicide clause, grace period clause, reinstatement provision

Methods for settling a property insurance claim and how these reinforce the principle of indemnity:

Actual cash value, Cost to Repair, Cost to Replace, Insurable Interest [at time of loss]

Why exclusions are the most important part of a CPP [Commercial Package Policy] that is written on an all-risk basis

Definition of claims adjusting – process of determining coverage, legal liability of the insurer, and settling claims

The major factor to be considered when developing an insurer's rates – fairness within each rate classification, and adequacy to meet future claim experience

Key Advantages to a decentralized claim settlement process

The three factors that a state insurance commission will use in determining whether to approve a rate change: not be excessive, must be adequate and at the same time be equitable among those within the insurance pool

Difference between the insurance versus insurance operations of an insurance company – investment dept. focuses on earning a safe and profitable return, insurance operation is concerned with writing/issuing policies, collecting premiums and making claim payments [premiums, underwriting and claim settlement].

Calculate the probability a person age x lives t years to age $x + t$, e.g., find the probability a person age 50 lives 5 years to age 55

Calculate the probability a person age x dies before reaching age $x + 1$, e.g., find the probability a person age 50 dies before age 55.

Causes for the delays in reflecting loss experience in premiums rates – delays in reporting loss, amount of time required to analyze claim data, state delays in getting approval which may vary based on whether you have file and use or prior approval laws in place

Pure Loss Premium Method for calculating and adjusting premiums on casualty insurance

Find the single premium on a \$100,000 term life insurance policy to a person age x for t years at an interest rate of 5%.

Find the single premium for a life annuity due to a person age x for t years at an interest rate of 5%.

Find the annual premium on a \$100,000 term life insurance policy issued to a person age x for t years at an interest rate of 5%.

Difference between a cash refund annuity and an installment refund annuity