Review Topics for First Exam in Insurance Operations --- October 1977

Concepts:

Peril

Proximate Cause of Loss

Types of Hazards – Physical, Morale and Moral

Direct vs. Indirect Loss Coverage

Definition of Insurance

Principle of Indemnification

Classifications of Risk – Pure vs. Speculative, Particular vs. Fundamental, Static vs Dynamic

Characteristics of an Ideally Insurable Risk

Financial Basis Combined Ratio for Measuring Financial Health of an Insurer

Risk Management Process and what is the most important step in the process

Types of Risk Management Tools and how they may be applied based on loss frequency and severity, i.e. risk avoidance, risk assumption, loss control and prevention, risk transfer – insurance

Types of Insurers – Stock, Mutual, Fraternal, Reciprocal, Lloyds/Insurance Exchange, Captive, Reinsurers

Types of Reinsurance arrangements

Admitted vs. Non-Admitted Insurers

Functional Areas of the Insurance Operation – Marketing [Independent, Direct Writing, Exclusive Agency], Underwriting, Actuarial, Claims, Investments, Accounting, Management Information Systems,

Legal

Major Regulatory Developments in Insurance that impact coverage:

 Paul vs. Virginia, Southeastern Underwriters, Appleton Rule, Anti-Compact Laws, Public Law 15, Gram Leach Bliley Act

Unique Legal Concepts in Insurance – Insurable Interest, Utmost Good Faith, Unilateral Contract, Contract of Adhesion, Contract is Aleatory – Application of Material Misrepresentation in Casualty and Life Insurance

Differences in how an insurance policy may be terminated and the refund of premium – short-rate vs. pro-rata return of premium

Types of Reinsurance treaties – automatic vs. facultative,

Types of Reinsurance policies - Pro-rata vs. stop loss and differences in how these policies are settled

Differences in underwriting standards – occurrence vs. claims made underwriting and which has the largest long tail claim exposure

Differences in standards of care for visitors to property – invitee, licensee, trespasser, and child attending property under attractive nuisance

How negligence law is applied - in terms of standards of care, and torts

Fiasco – moral and ethical failures that may be different from the legal standards imposed when selling derivative securities, consequences of these failures on insurance operations, difficulties or challenges in reporting ethical failures in the investment banking industry, perverse incentives to overlook unethical behavior.