Review Study Guide for Fall 2012 Insurance Operations: Exam 1

Topics relating to Insurance Operations

Key elements in the definition of insurance

Principle of Indemnification as it relates to the service of insurance

Different Types of Risks and those that are insurable – pure, particular, static

3 Types of Hazards and which is not insurable

Definition and application of Peril

Methods of dealing with risk – assumption, loss control, transfer [insurance], avoidance and under

what circumstances you would use each

Direct vs. indirect loss within the casualty insurance contract

Different types of insurers and how they are classified

Casualty vs. Life

Private, Public, Governmental

Mutual vs. Stock Insurers --- differences in tax treatment, dividends, ownership

Lloyd’s of London, Surplus Lines – Admitted vs. Non Admitted Insurers

How to evaluate insurers ---- Financial Combined Ratios, AM Best Reports , reserve adequacy

Historical precedents with respect to Insurance

Legal --- Paul vs. Virginia, Southeastern Underwriters

State – Appleton Rule, Compartmentalization of Insurance Coverages, Merritt Investigation

Legal Principles

Void vs. Voidable Insurance Contracts

Legal conditions necessary for a policy to come into existence

Special Legal concepts – unilateral, adhesion, utmost good faith, aleatory nature of the contract

Material Misrepresentation in relation to whether a policy is voidable
Functional Area of an Insurer’s Operations

Distribution – Different Systems: (1) Direct Writing (2) Independent Agency (3) Exclusive Agency – issue of binding the contract, ownership of the business, type of compensation – salary vs. commission [primary vs. renewable commissions]

Loss Adjustment – role in determining insurable interest [difference between casualty vs. life policies], whether the coverage is in-force, types of benefits to be paid, methods of settlement, helping insured with the claim process

Actuarial – role of actuaries in creating policies, certifying to the insurer’s reserve position, and determining the premium structure

Underwriting – how it is used within an insurance operations in terms of acquiring covers with a set of guidelines with premiums calculations based on risk.

FIASCO – ethical issues related to the sale of financial securities to insurance companies, educational background and compensation systems for brokers, standards used in serving or not service clients, consequences of ethical lapses, ability of traders to accurately evaluate deals.