

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 as a basis for settlement

Requirements in order to establish liability – what must a plaintiff show

Different standards for imposing Negligence: Contributory Negligence, Comparative Negligence, No Fault

Negligence Defenses: Contributory Negligence, Assumption of Risk, Governmental Immunity

Avenues for Imposing Negligence: Res Ipsa Loquitur, Principal/Agent, vicarious liability, joint and several liability

Examples of the imposition of vicarious liability – use of the auto by someone else with owner's permission, Dram Shop liquor law extending to those serving alcohol

Standard Sections to an insurance policy: Declarations, Insuring Agreements, Exclusions, Conditions, Application

Special Provisions in Homeowner's Policies – Subrogation, co-insurance, mortgage clause, removal provision

Duties and Responsibilities after Loss – for PAP, for HO policies

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?

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

Non-forfeiture provisions on permanent life insurance - Extended Term, Reduced paid up insurance options, policy loan, reinstatement provision [requirements and why would someone use this option?]

Features of the HO contract

Types of Coverages – Section 1

Coverage A Dwelling,

Coverage B Appurtenant Structures,

Coverage C Personal Property,

Coverage D Additional Living Expense

Direct versus indirect coverages in Section 1

Types of Coverages for Section 2 [Comprehensive Personal Liability Insurance]

Coverage E Liability

Coverage F Medical Payments

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

HO Co-insurance provision --- quantitative question

Unique features of the Personal Auto Policy – Vicarious Liability, Financial Responsibility Laws, Different Negligence Standards by State Law

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

Major medical coverage as the best example of insurance/risk transfer

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

Annuities --- Life, joint and survivor, joint and 2/3rds annuity, 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