

Ordering Checklist & 50 Question Exam for:

“Risk Management: Property and Casualty”

In order to successfully register and complete this 15 hour Illinois certified continuing education self study course you must mail or fax ALL of the following completed items to us:

_____ **ONLINE COURSE REGISTRATION FORM WITH
PAYMENT OR PAYMENT INFORMATION (PAGE 2)**

_____ **CE EXAM ANSWER SHEET, SIGNED (PAGE 3)**

_____ **COURSE COMPLETION LETTER REQUEST (PAGE 4)**

IT IS HIGHLY RECOMMENDED THAT YOU *PRINT ALL PAGES IN THIS FILE* FOR EASY REFERENCE. **COMPLETE** THE ABOVE THREE INDICATED ORDERING CHECKLIST ITEMS (PAGES 2, 3 AND 4 OF THIS FILE) AND FAX OR MAIL THEM, AS INDICATED, TO US FOR COMPLETION.

ONCE WE RECEIVE YOUR ORDERING CHECKLIST ITEMS WE WILL CONTACT YOU BY TELEPHONE WITHIN 1 BUSINESS DAY FROM THE RECEIPT OF YOUR ORDER TO LET YOU KNOW YOUR RESULTS AND ALL SUBSEQUENT REPORTING ACTIVITIES BY US ON YOUR BEHALF TO THE ILLINOIS DEPARTMENT OF INSURANCE.

**DO NOT FAX OR MAIL THE EXAM
QUESTIONS TO DOHRN**

DOHRN INSURANCE TRAINING, INC.

COURSE ACCESSED ONLINE REGISTRATION FORM

Only use when accessing A Continuing Education course from www.dohrnit.com

REGISTRATION FORM for

Risk Management: Property and Casualty

Providing 15 hours of CERTIFIED continuing education credit in the state of Illinois

NAME _____ Bus. Firm _____ SS# _____

STREET _____ CITY _____ ST _____ ZIP _____

Daytime Phone (very important): () _____

AMOUNT DUE: \$27(15 hrs) or \$45* (30 hrs) if completing two courses at the same time

****To qualify you must have send the exam and payment for 2 courses at the same time or the individual course rate (\$27 per 15 hours) will apply.***

Payment by Credit Card or Money Order only- NO CHECKS ACCEPTED

CREDIT CARD INFORMATION - Bill my account as indicated above

CREDIT CARD NUMBER _____ EXP. DATE _____
MO. / YEAR

CARDHOLDER NAME _____
(PRINT) Cardholder Signature

If Credit card billing address is different than the shipping address above, you must provide below:

Card Billing
Street Address: _____ City _____ St. _____ Zip _____

****By providing my signature above, I authorize Dohrn Insurance Training, Inc to charge \$27 for one course (15 hours of credit) or \$45 for two courses (30 hours of credit). I understand that I only qualify for the \$45/30 hours rate if I have submitted payment and exams for two courses at the same time.***

2 WAYS 1) Complete this form, enclose payment and **MAIL** to : DOHRN INSURANCE TRAINING, INC.
8517 W. GRAND AVE., UNIT C,
RIVER GROVE, IL. 60171

TO

2) COMPLETE AND **FAX** ORDER FORM WITH **CREDIT CARD INFO:1-847-455-1153**

REGISTER

ONCE THIS PAYMENT HAS BEEN RECEIVED BY DOHRN INSURANCE TRAINING, THERE IS NO REFUND AVAILABLE. DOHRN WILL PHONE YOU WITHIN 1 BUSINESS DAY TO ACKNOWLEDGE RECEIPT OF YOUR ORDER AND STATUS OF COURSE COMPLETION. . COURSE COMPLETION LETTERS WILL BE MAILED TO PRODUCER WITHIN ONE WEEK OF COURSE COMPLETION AND ALL COURSE COMPLETIONS ARE REPORTED VIA EMAIL TO THE ILLINOIS DEPARTMENT EVERY WEEKDAY FOR COURSES COMPLETED THE PREVIOUS DAY OR WEEKEND PERIOD.

IF YOU ARE A NEW CLIENT BEING REFERRED FROM AN ACTIVE DOHRN CLIENT:

NAME OF CLIENT: _____ LAST FOUR DIGITS OF CLIENT'S SS# _____

Daytime phone number of active Dohrn client making this referral: _____

COURSE COMPLETION LETTER REQUEST
“Risk Management: Property and Casualty”
completed with DOHRN ONLINE ACCESSIBLE COURSE MATERIALS

MY NAME IS: (PRINT clearly) _____

I am completing the above named course program and I am also submitting a completed and signed exam answer sheet and registration form with payment

FAX ALL THREE PAGES (#2, #3 & #4) TO 847-455-1153

(Or mail to: Dohrn Insurance Training, Inc., 8517 W. Grand Avenue, River Grove, IL 60171)

❶ this page and

❷ ONLINE COURSE REGISTRATION FORM WITH PAYMENT OR PAYMENT INFORMATION

AND

❸ EXAM ANSWER SHEET (FOR EACH LINE), SIGNED

I have enclosed the above information with payment and request that DOHRN grade my exam(s) and certify my completion to the Illinois Department of Insurance and MAIL MY COMPLETION LETTER for my records to

Street _____

City _____ St _____ Zip _____

I understand that my course completion will be processed promptly unless I have paid by check (PAYMENT BY CHECK IS NOT ACCEPTED). I also understand that no certification will be processed if I fail the attached nonsupervised exam and that no refund of fees will be available if I do not pass the nonsupervised exam. If I fail, I understand that I will not receive any course credit and that I may not be able to COMPLETE THIS COURSE FOR CREDIT AGAIN WITHIN A THREE YEAR PERIOD

I also understand that as a client of Dohrn Insurance Training, Inc, I can earn referral credit good toward the purchase of future courses when I refer a “New CE client” to Dohrn Insurance Training, Inc., in accordance with all rules established which govern the “Dohrn New Client Continuing Education Referral Program.”

SIGNED _____ DATE _____

**Dohrn Insurance Training, Inc.
EXAMINATION ANSWER SHEET**

**Return 1) this completed answer sheet, 2) registration from with payment and
3) course completion letter request, by either
1) Mailing to our Office Address or
Fastest service ☞ 2) FAX it to (847) 455-1153.**

**PLEASE INDICATE YOUR ANSWER BY USING A PENCIL AND MARKING AN "X" THROUGH
THE LETTER (A, B, C, D) WHICH YOU HAVE SELECTED AS THE CORRECT ANSWER**

NAME _____ SIGNATURE _____ SS# _____
(PRINT)

“Risk Management: Property and Casualty”

- | | |
|-------------|-------------|
| 1) A B C D | 26) A B C D |
| 2) A B C D | 27) A B C D |
| 3) A B C D | 28) A B C D |
| 4) A B C D | 29) A B C D |
| 5) A B C D | 30) A B C D |
| 6) A B C D | 31) A B C D |
| 7) A B C D | 32) A B C D |
| 8) A B C D | 33) A B C D |
| 9) A B C D | 34) A B C D |
| 10) A B C D | 35) A B C D |
| 11) A B C D | 36) A B C D |
| 12) A B C D | 37) A B C D |
| 13) A B C D | 38) A B C D |
| 14) A B C D | 39) A B C D |
| 15) A B C D | 40) A B C D |
| 16) A B C D | 41) A B C D |
| 17) A B C D | 42) A B C D |
| 18) A B C D | 43) A B C D |
| 19) A B C D | 44) A B C D |
| 20) A B C D | 45) A B C D |
| 21) A B C D | 46) A B C D |
| 22) A B C D | 47) A B C D |
| 23) A B C D | 48) A B C D |
| 24) A B C D | 49) A B C D |
| 25) A B C D | 50) A B C D |

“Risk Management: Property and Casualty”

Self Study Examination

Instructions: This examination consists of 50 questions in multiple choice format. Four possible answers have been presented for each question. On your answer sheet indicate the best answer to each question. There is no penalty for guessing incorrectly.

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Section I: The Parameters of Risk Management

1. Generally speaking, the field of risk management is concerned with:
 - a. Insurance sales.
 - b. Managing risk.
 - c. Treating loss exposures.
 - d. None of the above.
2. Loss exposures are:
 - a. Situations in which an insured may lose money.
 - b. Sets of circumstances presenting a possibility of a loss.
 - c. Sets of circumstances which have resulted in losses to insureds.
 - d. a and b.
3. Items at risk can be classified as either:
 - a. Assets
 - b. Income
 - c. Intangible interests such as health
 - d. All of the above
4. Losses can result from perils which can be classified as:
 - a. Natural
 - b. Human
 - c. Economic
 - d. All of the above
5. Which of the following are not natural causes of perils?
 - a. Fires, hurricanes, floods
 - b. Earthquakes, storms, volcanic disturbances
 - c. Riots, work stoppages, war
 - d. Hail, insect infestation, shortages of natural resources.
6. Pure loss exposures are those exposures which can result in
 - a. Loss
 - b. No loss
 - c. Neither a nor b
 - d. a and b
7. Risk managers are concerned with managing and controlling:
 - a. The costs of losses which already have been suffered.
 - b. The costs of dealing with losses which have not already occurred but may occur at some time.
 - c. Both of the above.
 - d. Neither of the above.
8. Which of the following is not part of the risk management process?
 - a. Identifying and analyzing loss exposures.
 - b. Selecting techniques to be applied to each exposure.
 - c. Financing recovery after a loss has taken place.
 - d. Monitoring decisions made and making appropriate adjustments

9. Retention may be:
- Unintentional
 - Intentional
 - Neither unintentional or intentional
 - Either unintentional or intentional
10. Which of the following steps are not critical to the risk management process?
- Establish standards of performance
 - Measure actual performance against standards of performance
 - Modify the risk management plan where necessary
 - All of the above are critical to the process of risk management.

Section II. Limiting Loss Exposures With Risk Control

11. In which of the following cases would the organization be likely to avoid the risk exposure?
- A mining company identifies an exposure associated with the use of explosives.
 - A manufacturing company identifies an exposure associated with delivery of its products to distributors.
 - A manufacturing company identifies an exposure associated with tools which do not have sufficient safety guards.
 - All of the above.
12. Once the avoidance technique has been implemented,
- Avoidance is the only loss control technique that need not be monitored. Once it is employed, success is guaranteed.
 - Constant monitoring should be used to ascertain whether the avoidance was properly implemented and whether it is still appropriate.
 - The avoidance should be monitored occasionally because the insurance policy requires it.
 - None of the above.

13. An avoidance may no longer be appropriate if:
- The organization's objectives have changed
 - The conditions that made the avoidance appropriate have changed.
 - No losses have occurred due to good fortune.
 - All of the above.
14. Loss control techniques are
- Techniques designed to reduce the frequency of losses.
 - Techniques designed to reduce the severity of losses.
 - Both of the above.
 - Neither of the above.
15. Under the energy release theory, the primary emphasis is placed on:
- The acts of persons within the sphere of influence of the loss exposure.
 - The physical engineering problems which cause the accident
 - The development of an effective loss control strategy.
 - All of the above
16. Which of the following are valid strategies under the Energy Release theory?
- Preventing formation of the hazard in the first place.
 - Separating, in time and space, the hazard from that which is to be protected.
 - To make what is to be protected more resistant to damage.
 - All of the above.
17. The primary difference between the domino theory and the energy release theory is:
- The domino theory emphasizes the actions of persons while the energy release theory emphasizes physical engineering conditions.
 - The domino theory emphasizes sequences rather than human actions.
 - The energy release theory is essentially limited in its application.
 - The energy release theory emphasizes environmental hazards and their remediation.

18. Assume that an automobile driven at 100 miles per hour crashes into a rigid obstacle, causing injury and loss of life. Under the theories of Heinrich and Haddon,
- Heinrich would emphasize the unsafe act of speeding as a personal fault of the driver.
 - Haddon's approach would emphasize the amount of momentum created by the act of speeding, and its potential to increase damages.
 - Both of the above.
 - Neither of the above.

Section III. Classification of Risk Control Measures

19. Which of the following is not a common method of risk control classification?
- By Subjective orientation
 - By Objective orientation
 - By Approach
 - By Timing of Application
20. Loss control measures which seek to reduce the severity of losses are known as
- Loss reduction measures
 - Loss prevention measures
 - Frequency reduction measures
 - None of the above.
21. Common loss reduction measures include:
- Utilizing automatic fire sprinkler systems within properties.
 - Purchasing all-risk coverage
 - Placing personnel who have been injured on furlough
 - All of the above.
22. The human behavior approach concentrates on
- The minimization of the financial impact of the loss.
 - The behavior of the persons affecting the loss exposure.
 - The physical aspects of the loss exposure.
 - All of the above.

23. Further timing classifications are based on the phase of the occurrence. Regarding these classifications, which of the following is true?
- Loss prevention techniques are applied during the planning phase.
 - Loss reduction techniques are applied contemporaneously with the occurrence of the accident.
 - Salvage activities take place after the occurrence of the accident.
 - All of the above.

Section IV. STRUCTURAL AND LEGAL ASPECTS OF PROPERTY AND LIABILITY INSURANCE

24. Which of the following is not a function that policy limits serve:
- Helping to achieve goals
 - Enforcing the principle of indemnity
 - Clarifying the insurer's obligations
 - Accommodating sellers by giving them more options for offering coverage to potential consumers.
25. The primary determinant of the maximum amounts payable for covered losses is:
- Policy limits
 - Deductibles
 - The principle of indemnity
 - Loss valuation provisions
26. There are several insurable interests recognized and commonly used to support the purchase of life insurance. One of the interests is:
- The interest of a creditor in the life of a debtor
 - The interest of an employer in the life of an employee
 - Both a and b
 - Neither a nor b

27. In general, a person has an insurable interest in the life of another if:
- They are closely related by blood or marriage
 - One of them is financially dependent on the other
 - They have a business relationship of such a nature that premature death of the insured would cause financial loss to the business beneficiary.
 - All of the above
28. What is the main purpose of requiring insurable interests:
- To minimize intentional losses
 - To prevent wagering through insurance
 - To enforce the principle of indemnity
 - All of the above
29. When only *one property* insurance policy is involved, which of the following devices does not help to preserve the principle of indemnity:
- Insured negotiation options
 - Claims settlement practices
 - Policy limits
 - Underwriting restrictions
30. What is the most accurate description of a blanket limit?
- A policy limit that applies to a single item or class of property
 - A policy limit that applies to two or more items or classes of property.
 - A policy limit that covers the insured for all possible losses
 - None of the above

SECTION V. FINANCIAL LOSS EXPOSURES

31. Which one of the following is a noninsurance transfer:
- Control-type measures
 - Loss financing techniques
 - a and b
 - Mechanism techniques

32. What are the various affects that a control-type noninsurance transfer can have on loss exposures?
- The losses might have a lower potential frequency
 - The losses might be more predictable
 - The losses might have a lower potential severity
 - All of the above
33. Noninsurance transfers differ from insurance in which one of the following ways:
- Noninsurance matters are usually matters that are only incidental to the contract.
 - Noninsurance transfers are sold by insurers
 - There is a significant pooling of exposure units in noninsurance transfers.
 - Noninsurance transfers are legally considered insurance
34. Insurance is defined conceptually as:
- A technique that makes it possible to transfer the financial consequences of potential accidental losses from the insured entity to an insurer.
 - The protection provided under an insurance contract.
 - Both a and b
 - Neither a nor b
35. As a mechanism, insurance differs from most noninsurance transfers in the following way(s):
- The insurer pools or combines many loss exposures.
 - The insureds contribute to a fund out of which cash payments or services are provided.
 - The insurance contract deals solely with the transfer.
 - All of the above

36. Both insurance companies and insurance producers provide many risk management services. Which service does the producer provide that the company does not?
- a) Loss control services
 - b) Selection of an insurer
 - c) Management services
 - d) Assistance in meeting legal requirements
37. Which of the following is a factor in premium costs:
- a) Opportunity cost
 - b) Expected loss
 - c) The expense component
 - d) All of the above
38. Which of the following types of retention is the result of a conscious decision?
- a) Planned retention
 - b) Unplanned retention
 - c) Intentional retention
 - d) None of the above
39. What are the two basic characteristics of retention?
- a) Financial and non financial technique
 - b) Nonfinancial technique and residual method
 - c) Residual method and Financial technique
 - d) Non residual method and financial technique
40. Which of the following would be a situation conducive to using retention as a technique?
- a) When no other alternatives are available
 - b) When the worst loss is not very serious
 - c) When the loss is predictable
 - d) All of the above
41. In what situation can retention permit expense savings?
- a) If the services provided by the insurer can be provided by the entity at a cost lower than the expense and profit portion of the premium.
 - b) If the entity is willing to forgo all of the services provided by the insurer.
 - c) Both a and b
 - d) Neither a nor b
- 42) Which of the following is false regarding the fundamental concepts involving tax implications?
- a) If the business purchases property insurance, the premium is not deductible.
 - b) If insurance proceeds exceed the book value of a property loss, the excess is taxable based on capital gains rates
 - c) If insurance proceeds exceed the book value of a property loss, the income tax will be higher in future years than if the replacement property were not purchased with insurance proceeds.
 - d) All of the above are true
43. Once a decision has been made to retain a loss exposure, action for retention must be taken based on that decision. Action includes which of the following:
- a) Controlling loss costs
 - b) Evaluating and paying losses
 - c) Arranging funding for retained losses
 - d) All of the above
44. If there is a decision to retain a loss exposure, what are the two most important methods to determine how the losses will be funded?
- a) Current net income and borrowing
 - b) Borrowing and earmarked assets
 - c) Current net income and captive insurers
 - d) Captive insurers and borrowing

45. Which one of the following is not an action for retention:
- a) Meeting legal responsibilities
 - b) Controlling output
 - c) Loss control
 - d) Funding retained losses
46. Generally speaking, performance standards should be established for:
- a) The worst losses sustained
 - b) Fluctuations in the annual losses
 - c) The expenses incurred in servicing the plan
 - d) All of the above
47. Why is it important for the risk manager to decide whether the retention decision needs to be adjusted or not?
- a) Tracking decisions can make or break a business entity.
 - b) Each of the factors that affect the retention decision are subject to change.
 - c) Both a and b
 - d) Neither a nor b
48. What is the best way to split the amount of the exposure (retain part of the exposure)?
- a) Purchase insurance that focuses less on the losses and more on the gains.
 - b) Purchase insurance that is less than the maximum possible loss.
 - c) Neither a nor b
 - d) Both a and b
49. What are the advantages of combined retention (retention and insurance)?
- a) It allows the business to purchase protection against the losses in excess of the deductible amount.
 - b) It reduces the uncertainty of the risk manager
 - c) Both a and b
 - d) There are no advantages of combined retention
50. What is the purpose of control-type noninsurance transfers?
- a) They alter the entity's exposures
 - b) They reduce the loss frequency
 - c) They reduce the variation in potential losses
 - d) All of the above