

一、MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question. (60%)

- 1) Dense fog that increases the chance of an automobile accident is an example of a
 A) peril. B) physical hazard. C) speculative risk. D) moral hazard.
- 2) Faking an accident to collect insurance proceeds is an example of a
 A) morale hazard. B) moral hazard. C) physical hazard. D) objective risk.
- 3) An earthquake is an example of a
 A) physical hazard. B) objective risk. C) moral hazard. D) peril.
- 4) A pure risk is defined as a situation in which there is
 A) a possibility of either profit or loss. B) a possibility of neither profit nor loss.
 C) only the possibility of loss or no loss. D) only the possibility of profit.
- 5) The premature death of an individual is an example of a
 A) speculative risk. B) fundamental risk. C) pure risk. D) physical hazard.
- 6) Which of the following statements about speculative risks is true?
 A) Their occurrence may benefit society.
 B) They are almost always insurable by private insurers.
 C) They involve only a chance of loss.
 D) They are more easily predictable than pure risks.
- 7) All of the following are examples of personal risks EXCEPT
 A) unemployment. B) premature death. C) poor health. D) flood.
- 8) The extra expense incurred by a business to stay in operation following a fire is an example of a(n)
 A) direct loss. B) indirect loss. C) speculative risk. D) fundamental risk.
- 9) Loss control includes which of the following?
 I. Loss reduction
 II. Loss prevention
 A) I only B) II only C) neither I nor II D) both I and II
- 10) Following good health habits can be categorized as
 A) personal insurance. B) noninsurance transfer.
 C) loss retention. D) loss prevention.
- 11) All of the following are characteristics of insurance EXCEPT
 A) risk avoidance. B) indemnification.
 C) payment of fortuitous losses. D) pooling of losses.
- 12) Risk management is concerned with
 A) the management of speculative risks only.
 B) the management of pure risks that are uninsurable.
 C) the identification and treatment of loss exposures.
 D) the purchase of insurance only.

二、QUESTIONS You can answer them in English or Chinese

1. Describe briefly the five major methods of handling risk. Give an example of each method. (20%)
2. Insurance contracts have distinct legal characteristics that distinguish them from other contracts. Explain these characteristics. (20%)