

VAN LANG UNIVERSITY
FALCUTY OF FINANCE AND BANKING

EXAM AND ANSWER KEY
FINAL EXAM (FIRST TIME)
Semester 3, Academic Year 2023-2024

I. General Information

Course Title:	Principles of Risk Management and Insurance		
Course Code:	72FINC20023	Course credits:	3
Course Group Code:	233_72FINC20023		
Exam Format: Multiple Choice and Essay	Exam Duration:	60	minutes
<i>Students may bring reference materials:</i>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	

1. Format for exam

- Font: Times New Roman
- Size: 13
- Name of options: **in capital letters, bold**
- Do not use automatic letter/numbering
- By default, the correct option is always Option A, write ANSWER: A
- Total number of test question:

2. Delivery and receipt of exam questions

After reviewing exam questions and answers/rubrics. **The Head of the Faculty/Department** sends exam questions, answers/rubrics to the Testing Center via email: khaothivanlang@gmail.com including word file and pdf file (**compress and password the compressed file**) and text message + full name sent via phone number **0918.01.03.09** (Phan Nhat Linh).

- Encourage instructors to compile and submit exam questions and answers using **File Hot Potatoes**. The Testing Center attaches the installation file and user manual file to support teachers.

II. The exam requirements are intended to meet the CLO

(The part must coordinate with information from the detailed outline of the course)

CLO Symbol	CLO Content	Evaluati on form	CLO weight in assess ment compo nent (%)	Exam question no	Maxi mum score	Obtain PLO/PI attainment measurement data
(1)	(2)	(3)	(4)	(5)	(6)	(7)

CLO 1	Apply risk management techniques for individuals and organizations	Multiple Choice + Essay	40%	2,3,5,7,18 và question 1	4	PI 2.2
CLO 2	Identify the characteristics of insurance products, insurance markets, and insurance contracts	Multiple Choice	30%	Remaining sentences	6	PI 3.4
CLO 3	Apply teamwork skills to determine appropriate insurance product characteristics	Multiple Choice + Essay	10%			PI5.2
CLO4	Present results of contacting insurance products on the market effectively verbally and in writing	Multiple Choice + Essay	10%			PI6.2
CLO 5	Demonstrate a sense of responsibility to the community and society by learning about the benefits of insurance products to the community and society	Multiple Choice + Essay	10%			PI9.1

III. Exam questions

MULTIPLE CHOICE (20 question + 0.4 points/question)

Question 1: The two fundamental reasons for insurance are: (1) To protect against financial loss, and (2) to restore the insured to the same position as before the loss occurred.

- A. True
- B. False

ANSWER: A

Question 2: Self-insurance is a form of:

- A. Risk Retention
- B. Risk transfer
- C. Risk avoidance
- D. Loss reduction

ANSWER: A

Question 3: 2.8 million insured buildings, the probability of fire is 1.5%, but the difference between actual and expected losses is only 100. What is the objective risk?

- A. 0,24%
- B. 0,45%
- C. 0,50%
- D. 0,48%

ANSWER: A

Question 4: According to the law of large numbers, what happens when the number of exposure units increases?

- A. Actual results will more closely approach probable results
- B. Actual results will increasingly differ from probable results
- C. All the above
- D. Objective risk increases

ANSWER: A

Question 5: "...occurs when an individual transfers the responsibility for bearing risk to another party." Fill in the blanks.

- A. Risk transfer
- B. Loss minimization
- C. Risk avoidance
- D. All the above

ANSWER: A

Question 6: When an agent persuades a policyholder with one company to cancel a policy to buy one with another company, this is called:

- A. Contract switching fraud
- B. Abuse of fees
- C. Misrepresentation
- D. Rebating

ANSWER: A

Question 7: The fundamental concept that is based on the ability to predict the approximate number of deaths or the frequency of disabilities in each group over a specific period is:

- A. The law of large number
- B. Adverse selection
- C. Pooling of risks
- D. All the above

ANSWER: A

Question 8: "...are owned by shareholders, and mutual insurance companies are owned by...". Fill in the blanks in order.

- A. Stock insurance companies. Policyholders
- B. Policyholders. Stock insurance companies
- C. Stock insurance companies. Beneficiaries
- D. Beneficiaries. Stock insurance companies

ANSWER: A

Question 9: "A private organization structured like other corporations, organized and established under state law to generate profits for their owners, namely the shareholders." What type of company is this?

- A. Stock insurance company
- B. Mutual insurance company
- C. Reciprocal insurance exchange
- D. All the above

ANSWER: A

Question 10: "These companies are owned by their policyholders, and the policyholders elect a board of directors to represent them." What type of company is this?

- A. Mutual insurance company
- B. Lloyd's of London
- C. Reciprocal insurance exchange
- D. All the above

ANSWER: A

Question 11: "The relationship that occurs when an insurance company transfers or cedes a portion of its underwritten risk to another insurance company." What is this called?

- A. Reinsurance
- B. Abuse of fees
- C. Misrepresentation
- D. Adverse selection

ANSWER: A

Question 12: The principle of subrogation applies to which type of insurance?

- A. Non-life Insurance
- B. Term Life Insurance
- C. Pure Endowment Insurance
- D. Social Insurance

ANSWER: A

Question 13: Which of the following statements is incorrect regarding the post-loss objective in risk management

- A. Reduce anxiety
- B. Company survival
- C. Maintain business operation
- D. Company growth

ANSWER: A

Question 14: Life insurance can be used to:

- A. All the above
- B. Pay off debt
- C. Pay for education
- D. Pay for medical

ANSWER: A

Question 15: Fill in the blanks in order: "Risk avoidance is the best risk management tool when the likelihood of loss is... and the severity of loss is..."

- A. High. Severe
- B. Low. Severe
- C. Low.Low
- D. High. Insignificant

ANSWER: A

Question 16: Mr. Lan, age 28. Based on his retirement plan at age 50, Mr. Lan plans to maintain an annual income of \$70,000, while his living expenses, including taxes, personal needs, and insurance, are estimated to be \$20,000 per year. The discount rate is determined to be 8%. What is the present value of Mr. Lan's life annuity using the life annuity value approach?

- A. 510,037.18 USD
- B. 400,522.37 USD
- C. 500,428.37 USD
- D. 345,589.43 USD

ANSWER: A

Question 17: Which of the following statements is false about term insurance

- A. High insurance premium
- B. It is purely protective
- C. There is no accumulative cash value
- D. Often the contract must be renewed

ANSWER: A

Question 18: Why are many subjects exposed to the same risk necessary?

- A. This helps the insurer better predict the frequency and severity of losses.
- B. It prevents the insurer from losing money.
- C. It ensures that losses will be unintentional and measurable.
- D. All of the above.

ANSWER: A

Question 19: Lan, an Olympic figure skater, is training one day when she is attacked by a crazed fan. The fan runs out onto the ice, grabs her, and then shoves her to the ground, injuring her knee. Lan is not wearing knee pads, and she also does not have any security guards present. The question is, what are the perils and hazard in this case?

- A. The peril is being attacked by the fan, and the hazard is both not wearing knee pads and not having security guards present.

- B. The peril is not having security guards present, and the hazard is being attacked by the fan.
- C. The peril is not having security guards present, and the hazard is being pushed to the ground.
- D. All of the above are incorrect.

ANSWER: A

Question 20: Faking an accident to collect insurance proceeds is an example of:

- A. Moral hazard
- B. Peril
- C. Physical hazard
- D. Attitudinal hazard

ANSWER: A

ESSAY QUESTION (01 question + points per question)

Question 1: (1 point)

Scaffold Company manufactures scaffolding and construction ladders for use in building projects. The company's risk management director can be sued if faulty scaffolding and ladders cause injuries to users. Due to rising liability insurance costs, the company is exploring alternative risk management techniques.

- a. Describe the steps involved in the risk management process that the company should adopt: (0.5 points)**
- b. List actions the company can take to manage risk for each technique: (0.5 points)**

Risk Avoidance

Loss Prevention

Risk Transfer (without insurance):

Question 2: (1 point)

Company A is a medical device manufacturing and distribution company. It recently introduced a new product to the market: the X-200 ventilator. However, after the product was launched, there were reports of technical malfunctions causing some machines to malfunction, putting patients at risk.

The company is facing complaints from hospitals and patients, as well as the risk of lawsuits. The company's risk management director must develop a plan to address this situation and ensure that similar risks do not occur in the future.

- a. Identify and analyze risks (Identify the types of risks Company A faces in this situation) (0.6 points)**
- b. Propose risk control measures that the company can implement to address the current issues (0.2 points)**
- c. Propose risk financing measures to address the costs and damages arising from these incidents (0.2 points)**

ANSWERS TO THE ESSAY SECTION AND ASSESSMENT SCALE

Question section	Answer content	Assessment scale	Note
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I. Multiple choice		8.0	
Questions 1 – 20		0.4	
II. Essay		2.0	
Content Question 1.		1	
Content of sentence a	<p>Step 1: Identify loss-causing risks: Recognize and identify the potential risks that James and Emily are facing.</p> <p>Step 2: Analyze potential losses: Assess the potential consequences if the risks occur, including personal, property, and liability losses.</p> <p>Step 3: Choose appropriate personal risk management techniques: Select methods or measures to reduce or accept risk. There are two groups of techniques. Group 1 is risk control, including risk avoidance, loss prevention, and loss reduction. Group 2 is risk financing, including retention, transfer, and insurance.</p> <p>Step 4: Implement and monitor regularly: Implement the selected measures and monitor them to ensure their effectiveness and suitability.</p>	0.5	
Content of sentence b	<p>Avoid risks: Do not use scaffolding and ladders of poor quality.</p> <p>Prevent loss: Check the quality of scaffolding and ladders before use.</p> <p>Risk transfer: Sign a risk transfer contract to the supplier or partner.</p>	0.5	Students can give their own suitable examples
Content Question 2.		1	
Content of sentence a	<p>Technical risks: The ventilator does not work properly, which can be dangerous for the patient.</p> <p>Legal risks: The company may be subject to lawsuits from hospitals and patients.</p> <p>Reputation risk: Loss of trust from customers and partners, affecting the brand.</p>	0.6	Students can give their own suitable examples
Content of sentence b	<p>Recall products and check all X-200 ventilators.</p> <p>Repair or replace defective ventilators.</p> <p>Improve quality inspection processes before products leave the factory.</p>	0.2	Students can give their own suitable examples
Content of sentence a	<p>Use the reserve fund to pay for additional expenses.</p> <p>Buy product liability insurance to reduce</p>	0.2	Students can give their own suitable examples

	your financial burden.		
	Total score	10.0	

City. Ho Chi Minh, June 19, 2024

Reviewer



ThS. Lê Thị Mỹ Duyên

The lecturer sets the topic



ThS. Trần Trung Hiếu