

FINAL EXAM – Preferred Practices

1. Having *high ethical standards* reflects character, and character can be more important than being "right" which reflects _____.
 - A. The law
 - B. A level of ability
 - C. An agent's duty
 - D. Winning
2. Misuse of position is unethical and may be illegal because you have disguised your actual position to deceive clients with the intention of _____.
 - A. Influencing their purchasing decisions
 - B. Making bigger commissions
 - C. Demonstrating your knowledge
 - D. Stealing their money
3. You have a legal duty to be sure that *applications* you submit are completed _____.
 - A. In duplicate
 - B. On time
 - C. In the presence of witnesses
 - D. Fully, without deceit of any nature.
4. E-mails are important communications that should be treated like _____.
 - A. A written letter
 - B. A casual conversation
 - C. A phone call
 - D. A fax
5. Electronic records, as a general rule, are _____ in a court of law.
 - A. Outlawed
 - B. Recognized and admissible
 - C. Never introduced
 - D. Always considered proof
6. *Opt-out* is the privacy process of having one's personal information _____ from databases and lists.
 - A. Removed
 - B. Added
 - C. Altered
 - D. Reviewed
7. Loss prevention aims to reduce the _____ of a particular loss.
 - A. Frequency or likelihood
 - B. Timing
 - C. Severity
 - D. Exposure
8. Which of the following are errors & omissions insurance exclusions an agent might find in his own E&O policy?
 - A. Insurer insolvency
 - B. Acts of the agent that are dishonest, fraudulent, criminal
 - C. Promises or guarantees as to interest rates or market value of insurance
 - D. All of the above
9. A strong moral compass means that you behave in ways where _____ is NOT the driving force.
 - A. Commission
 - B. Attention to detail
 - C. Self-interest
 - D. Staying the course
10. Ratification, which is punishable by punitive damages, commonly arises where the employer or managing agent fails to intercede in _____, or fails to investigate or discipline an errant employee once misconduct is known.
 - A. An illegal scheme
 - B. Known pattern of workplace abuse
 - C. An agent's misdeed
 - D. Agency problems
11. In *State Farm v. Gros* case, the agent's file lacked _____ so the courts held the policy was misrepresented.
 - A. Form and content
 - B. Notes regarding client conversations
 - C. Legal standing
 - D. Organized flow
12. Agent call centers are being upgraded to the status of *call plus* due to _____.
 - A. Legal action by consumers
 - B. Government mandate
 - C. Growing communication options
 - D. Clever agency marketing
13. Situs problems with the internet result because it is unclear as to _____ where a sale or solicitation occurred.
 - A. The physical location
 - B. Commission assignment
 - C. Premium source
 - D. Client response

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14. A single source sale site is a method of marketing insurance over the internet which enables a consumer to select insurance _____.
- A. Only once
 - B. Directly from an insurance company
 - C. On a pre-approved basis only
 - D. Without an application process
15. Privacy rules have been enacted at state and national levels because privacy is _____.
- A. A fundamental right of the citizenry
 - B. The current thing on everybody's mind
 - C. Insurance is a private matter
 - D. People need to hide their financial affairs from others
16. A safety or risk solution must first start with _____. This allows the agent to obtain a clear picture of risk exposure and circumstances.
- A. A desire to serve
 - B. A client's request
 - C. Dialogue
 - D. A problem
17. Protection of clients through the purchase of errors and omissions insurance may suggest the highest level of _____.
- A. Stupidity
 - B. Smart marketing
 - C. Agent ethics
 - D. Excess spending
18. The *Client for Life* concept suggests that long-term success is closely associated with _____.
- A. Long-term relationships rather than a quick sale
 - B. Marketing effort
 - C. Gaining new prospects
 - D. Ethical conduct
19. Sales conduct is a higher level of service you choose because it stresses diversification and _____ on your client's behalf.
- A. On-going monitoring
 - B. Popular carrier choices
 - C. Legally required abilities
 - D. Meeting license minimums
20. In the *Saunders v. Cariss* court case, a client sued his agent for _____ without authorization.
- A. Discussing his needs
 - B. Signing his name
 - C. Sharing his financial information
 - D. Lack of attention
21. The key to client retention is to know your clients and _____.
- A. Discount your services
 - B. Do everything right
 - C. Never make mistakes
 - D. Communicate with them often
22. One of the first rules of *Netiquette* (preferred internet usage) is to never assume that e-mail _____.
- A. Is permanent
 - B. Is legal
 - C. Informative
 - D. Can be read by no one except me
23. A big *customer disadvantage* of buying internet insurance is that customers not versed in insurance may end-up "ordering" their insurance rather than _____.
- A. Purchasing insurance that fits
 - B. Buying local
 - C. Getting a better deal through an agent
 - D. Getting special treatment by an agent
24. Concerning electronic communication, it is not illegal for anyone to view or disclose such communications if the communication is _____.
- A. Not encrypted
 - B. Of a public nature
 - C. Readily accessible to the public
 - D. Non-financial in nature
25. Exposures of risk can be identified by which of the following processes:
- A. The logical classification of exposure to loss
 - B. Methods to identify losses of a particular organization at a particular time
 - C. Test actual loss exposures by the degree they may interfere with the organization's objectives
 - D. All of the above

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26. Agent records, such as files, notes, letters, e-mails, etc, are an admissible defense in court as long as they _____.
- A. Are at least 25 words or longer
 - B. Seem legally correct
 - C. Are generated on the ordinary course of business
 - D. Support your case
27. Advertising includes *all materials* designed to create _____ in an insurer, its products, an agent or broker.
- A. Public interest
 - B. A rise out of prospects or clients
 - C. Positive thoughts
 - D. Motivation to buy
28. A stakeholder is anybody that _____. Being ethical means you should be fair to all stakeholders.
- A. You owe more than \$5,000
 - B. Owes you \$5,000 or more
 - C. Can be affected by your actions
 - D. You meet in business
29. To maintain a *moral agency climate* you must support good, moral decisions, even _____.
- A. The bad ones
 - B. At the cost of production
 - C. Borderline judgements
 - D. After hours
30. In *Sobotor v. Prudential*, the agent was sued because he claimed to have _____.
- A. Special knowledge
 - B. An inside track
 - C. Company ratification
 - D. Exemptions no one else had
31. Clear communication is an important principle. In handling a client's instruction or request, for example, it would be wise to _____.
- A. Avoid conflict
 - B. Pace yourself
 - C. Repeat your understanding
 - D. Look them in them eye
32. Encryption is an efficient method of _____.
- A. Marketing a new policy
 - B. Tracking commissions
 - C. Internet security
 - D. Weight loss
33. A privacy policy must be disclosed by an insurance agency when _____.
- A. A customer relationship is established
 - B. Once a year after a customer relationship is established
 - C. Every three years
 - D. A & B are correct
34. The duty to defend an insured is evident where the policy language gives the insured a _____ that the insurer will provide a defense.
- A. Hint
 - B. Possible clue
 - C. Reasonable expectation
 - D. Legal reason
35. Standard operating procedures are steps that you _____ in selling and serving clients.
- A. Plan to establish
 - B. Follow consistently
 - C. Use as guidelines
 - D. Occasionally refer to
36. Ethics is defined by which of the following?
- A. A set of values that constantly guides our values.
 - B. Values that align us with what society considers correct.
 - C. A balancing of individual good with the good of the whole.
 - D. All of the above
37. The *Higginbotham v. Greer* case suggests that agents need to keep clients informed about _____ on an on-going basis.
- A. Their cash and property values
 - B. Significant changes in the financial condition of their insurer
 - C. New policy product
 - D. Your agency address
38. Nearly ALL *client contact* is considered _____.
- A. Essential
 - B. Non-essential
 - C. Advertising
 - D. To be selling

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39. *Best Practices* are simply _____.
- A. Not achievable
 - B. Good, sound business practices
 - C. The most profitable agencies
 - D. A sales achievement label
40. Concerning the *level of privacy* on the internet, it can be said that there are _____ that guarantee an absolute right of privacy.
- A. Specific methods
 - B. No online activities or services
 - C. Few ways
 - D. Great new methods
41. The *Federal Do Not Call Rules* require businesses who use the telephone to solicit business to *scrub* or filter calling lists within _____ days of making calls.
- A. 30
 - B. 60
 - C. 90
 - D. 120
42. A loss history is a record of past losses. It is an important indicator of _____ for an organization or family.
- A. Accidental losses
 - B. Potential premium increase
 - C. Cancellations
 - D. New business
43. Concerning concealment by an insured of facts, the general rule in determining when a policy is voided lies in the issue of _____.
- A. Subrogation
 - B. Bad faith
 - C. Misrepresentation
 - D. Dispute intensity
44. In *McConnell v. Ehrlich*, an agent lost his license for using prospecting letters that _____.
- A. Contained outrageous promises
 - B. Misrepresented the true premium
 - C. Resembled official DMV correspondence
 - D. Contained foul language
45. Economist and fed reserve chairman, *Alan Greenspan* summed up ethics this way: "Your reputation is your _____." If you do something to undermine that, then you very well may not have a company any more."
- A. Bible
 - B. Stock and trade
 - C. Life
 - D. Best asset
46. An insurer's *reinsurance surplus relief* is an area of concern because reinsurance, unlike loans, is _____.
- A. Costly
 - B. Not as effective
 - C. More visible to the financial scrutiny
 - D. Not considered an accounting liability
47. One way that insurer's limit or control the exposure of *conditional coverage* is to craft them to be _____ later acceptance of the formal policy.
- A. Subject to
 - B. In opposition to
 - C. Aligned to
 - D. Approved, regardless of
48. Protecting cyberspace privacy may require the creation of passwords with nonsensical combinations of _____.
- A. Upper and lower case letters
 - B. Numbers
 - C. Symbols
 - D. All off the above
49. Nonpublic personal information is financial information that _____. Privacy rules restrict the sharing of this information.
- A. Identifies an individual
 - B. Describes a private group
 - C. Does not concern insurance
 - D. Is available to the public
50. An insured who *conceals a fact* in bad faith, knowing the fact to be _____, will void his policy.
- A. Material
 - B. Fictitious
 - C. Erroneous
 - D. Less than honest

171 Preferred Practices Exam **22 Hours Satisfies Ethics** **Instructions**

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