Chapter 15

Checkpoint 15.1

1. What defines ethical behavior?

Answer: Actions that are right, good, and proper.

2. What consequences can result if state insurance regulators find violations?

Answer: Civil penalties (a fine the government imposes to enforce regulations, license suspension, or license revocation.

3. What three features of the insurance business are monitored by each state's market regulation authority?

Answer: Prices, products, and trade practices.

4. Professional practice standards that require insurance professionals to behave in a certain way but do not have the force of law are called what?

Answer: A code of ethics.

5. What part does the Interstate Insurance Product Regulation Commission (IIPRC) play in insurance regulation?

Answer: Provide uniform standards for certain insurance products sold in member states.

Checkpoint 15.2

1. What three insurance products are most susceptible to fraud?

Answer: automobile insurance, workers' compensation, and health insurance.

2. An agent failing to disclose information related to a policyholders fraudulent claim is an example of what?

Answer: Internal fraud.

3. When a policyholder tells what he considers a little lie about how much his neck hurts after an accident, it is called what?

Answer: Soft fraud or opportunity fraud.

4. An employee who hurts her back over the weekend helping a friend move, but files a workers' compensation claim that says the injury

occurred during the course of her performing her job, has committed what kind of fraud?

Answer: External fraud.

5. What two insurance industry professionals have the greatest opportunity to perpetrate a fraud?

Answer: Adjusters and sales agents.

Checkpoint 15.3

1. What effect does the ability to manage risk through purchasing insurance have on a society?

Answer: It reduces uncertainty, allowing people and businesses to spend money on other economic activities.

2. What effect does the capital investment made by insurance companies have on the economy?

Answer: It provides money to build companies (through investment in the securities market), roads, and schools.

3. What principle is required of insurers that addresses their commitment to providing protection against financial loss?

Answer: Fidelity

4. What term is used for an insurance carrier that is financially incapable of paying claims in the future?

Answer: impaired insurer

5. How does society expect insurance companies to invest their money?

Answer: Wisely, so that the financial health of the company and its ability to pay future claims is maintained.