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**Section I: Multiple Choice (1 point each)** Choose the one best answer from the choices provided and place the letter corresponding to that answer in the space provided to the left of the question number.

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- \_\_\_\_\_ 1. Which of the following is an example of vicarious liability?
- a. A person being responsible for damages created in an accident that was their fault
  - b. A person being responsible for damages caused by their negligence.
  - c. A person being responsible for damages created in an accident caused by their employee.
  - d. Both "a" and "c" are true.
- \_\_\_\_\_ 2. John exercises and diets to reduce his chance of heart attack. Which risk management method is he using?
- a. Risk Transfer.
  - b. Risk Avoidance.
  - c. Risk Reduction.
  - d. Risk Acceptance.
- \_\_\_\_\_ 3. An insurance premium
- a. is tax deductible in some instances.
  - b. is an extra part of an insurance policy that someone adds on to have extra coverage for specific instances.
  - c. is the price of insurance.
  - d. Both "a" and "c" are true.
- \_\_\_\_\_ 4. Which document details previous property transfers, recorded mortgages and liens on a piece of real estate?
- a. Mortgage.
  - b. Title opinion.
  - c. Deed.
  - d. Sales contract.
- \_\_\_\_\_ 5. Which of the following is true regarding flood insurance?
- a. Lenders are required by law to require flood insurance in specific instances.
  - b. Flood insurance is a standard part of all homeowner's insurance policies
  - c. Flood insurance is a scam, you should never buy it.
  - d. Both "b" and "c" are true.

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**Section II Short Answer/Essay** Use the information provided to completely answer the following questions. Points as indicated.

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1. List **and** describe the 4 methods of risk management. Give an example of each method as well. **(12 points)**

2. Briefly answer the following questions regarding topics we've discussed in class the past few weeks. (2 points each)

When may "PMI" be required on a mortgage loan?

Assume that your aggregate (combined) marginal income tax rate is 40%. How much gross income must you earn in order to have \$300 net income?

Assume that the \$300 in the above question was the amount of money that you spend every year on prescription medicine. If you shifted your spending to a pre-tax basis - a) How much extra gross income would you have left over?; & b) How much extra net income would you have left over?