SECTION D

TRUE-FALSE QUESTIONS

1. The term "risk" is generally agreed to have the same meaning in the fields of economics, statistics, decision theory and insurance.
2. Dynamic risks are those exposures to loss that result from changes in the economy.
3. A hazard is anything that is likely to cause a loss, such as a fire, a windstorm, or an earthquake.
4. The existence of risk in the economy tends to retard accumulation of capital.
5. Fundamental risks are usually considered to be an individual's own responsibility and are most appropriately dealt with through loss prevention measures.
6. The most common method of dealing with those risks facing an individual is probably risk retention.
7. Speculative risks are usually accepted voluntarily because of their two-dimensional nature.
8. Although virtually all speculative risks can be avoided, it is impossible to avoid all pure risks.
9. The term "pure risk" describes a situation in which there is no chance of gain, but the possibility of loss or no loss only.
10. One of the best examples of dealing with risk through sharing is the process of hedging.
11. The term "pure risk" refers to those situations in which loss is certain, such as, for example, depreciation.
12. A particular risk is one that is not calculable, because it is unique or involves an isolated event.
13. Insurers can partially eliminate morale hazard through the use of deductibles and other policy provisions that require the insured to bear a part of a loss.
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15. From the perspective of society, the most attractive approach to dealing with risks is risk avoidance.
16. While speculative risks are voluntarily assumed, pure risk exists whether or not the individual wishes it.
17. The existence of pure risk can have detrimental effects both on the individual and on economic activity.
18. Depreciation of machinery and equipment is a good example of the existence of risk in a business firm.
19. The notions of indeterminacy and adversity are inherent in most definitions of risk.
20. The concept of "expected value" relates the magnitude of a risk to both the probability and potential severity of the loss that might occur.