A
HOW TO PREPARE GUIDE
FOR THE

INSURANCE EXAMINER
11231
WRITTEN EXAMINATION

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I. INTRODUCTION

The purpose of these instructions is to help you prepare for the written, entry-level examination which is being given for the Insurance Examiner classification with the State of Alabama. It is very important that you sit down in a quiet place and review the material in this book. You should also set aside time to practice doing the things that are suggested in this booklet to prepare for the examination. Please remember that the material in this booklet is designed to help you prepare for the exam. You will not need the material in this booklet at the time you actually take the exam. Therefore, you will not be allowed to carry this booklet into the exam session. Later in this booklet, we will instruct you on what you are allowed to bring to the exam session and what you must bring to the exam session. You will not be allowed to bring this booklet to the exam with you.

II. JOB PREVIEW

Insurance Examiners work for the Alabama Department of Insurance and are located throughout the State.

Employees in this class initially have limited responsibility for verifying the assets and liabilities of insurance companies in accordance with the provisions of the state law. Employees are initially assigned to routine examinations of small companies where the scope of the work is clearly defined as to methods and procedures by laws and regulations as well as specific verbal and written instructions. This class differs from higher classes in that employees work under the guidance of experienced examiners while becoming familiar with the procedures peculiar to the insurance business; thereafter, employees may exercise considerable independent judgment in making fiscal examinations and may consult with senior employees on an infrequent basis.

III. PREPARING FOR THE EXAM

A. General Information on “What to Do Before the Exam”

Here are some suggestions for what to do before the exam and for getting to the testing place on time and with the proper things that you will need to take the test.

1. Be well rested. Get a good night’s sleep for several nights in a row before the written examination.
2. Allow plenty of time to get to the examination site. If you are rushed and late, you will be upset when you get there. Plan to get there at least 20 minutes before time for the examination to begin.

3. Do not bring cell phones to the testing site. Pagers should only be brought if it is absolutely necessary. All pagers must be set to vibration mode.

4. Come dressed comfortably. The total time provided for completion of this exam will be 3 hours.

5. You should read and study this booklet. You should practice the kinds of things that this booklet suggests that you practice.

6. Do not bring this or any other booklets, reading or study materials to the exam. You will not be permitted to bring them in. All materials needed to complete the exam will be given to you at the exam.

7. You must bring the EXAM NOTIFICATION LETTER or NOTIFICATION POSTCARD that you received from the State of Alabama Personnel Department to the examination site.

8. To protect your own interests, you will also be asked to bring PICTURE IDENTIFICATION to the examination site. This may be a valid driver’s license, a military identification card, a student identification card, or some other form of PICTURE IDENTIFICATION. You only need one form of PICTURE IDENTIFICATION.

9. You will not be allowed to enter the examination site or take the exam without your NOTIFICATION LETTER/POSTCARD and PICTURE IDENTIFICATION.

10. Bring several number 2 pencils with erasers to the exam. It is also recommended that you bring a highlighter pen and a calculator. Small solar powered or battery operated calculators that perform basic functions such as addition, subtraction, multiplication, division, square roots, or percentages are allowed. Calculators that plug-in, utilize tape, have word processing, spelling, thesauruses, or other storage and retrieval capabilities (except basic memory functions) are not allowed. Calculators that are a feature on a cell phone are not permitted. Calculators are subject to inspection by exam monitors. Applicants may not borrow or share calculators at the exam site.

B. General Information on “What to Do During the Exam”

1. In an exam like this one, some questions are easy and some are hard. Don’t give up. Probably no one will make a perfect score. If it is hard for you to figure out an answer, it is probably hard for other people too. Keep your mind on the test, and try to answer every question. Mark an answer on your answer sheet even if it is a guess. You will not be penalized for guessing. On the other hand, do not spend too much time on any one question.
just because it is hard. This may not leave you enough time to answer the remaining test questions.

2. You will have 3 hours to complete the exam. Use your time efficiently. The exam is not a test of how quickly you can answer questions. However, it does not allow you all the time you might like to have. In the parts of the test that require reading, try to keep a steady pace. Try to finish as much of the test as you can.

3. An examination monitor will be at your test site when you report. The monitor will check your Picture Identification and Exam Notification Postcard, and then will provide you with test materials. You must follow the instructions of the monitor at all times.

4. The examination monitor will provide you with instructions concerning restroom availability during the test administration. It is important to remember that the time that you take to use the rest room is time away from working on the examination. So, we recommend that you use the restroom before the examination, if possible.

5. You are not to open any examination booklets or instructions or begin working on the exam until you are instructed by the monitor to do so.

6. The only materials you need to bring to the test site are a Picture Identification, Exam Notification Postcard, several number 2 pencils. You may bring a calculator to use for the examination. Small solar powered or battery operated calculators that perform basic functions such as addition, subtraction, multiplication, division, square roots, or percentages are allowed. Calculators that plug-in, utilize tape, have word processing, spelling, thesauruses, or other storage and retrieval capabilities (except basic memory functions) are not allowed. Calculators that are a feature on a cell phone are not permitted. Calculators are subject to inspection by exam monitors. Applicants may not borrow or share calculators at the exam site. No other materials will be allowed in the test site.

7. Candidates making any disturbances or caught cheating will be disqualified from the exam.

8. Test monitors can answer questions concerning exam administration issues only. They will not be able to interpret exam questions for you.

9. You should always check to make sure that your answers to questions are marked in the location on the answer sheet that matches the number of the question you are answering.

10. If you have time remaining after you have completed the test, it is always a good idea to review your responses on the more difficult questions. Once you have finished, notify the monitor for instructions.

11. In summary, there are two things you can do that will make you feel more comfortable taking the exam: 1) follow the guidelines presented in this booklet on how to prepare for the exam and 2) become familiar with what kinds of questions will be used in the exam.
IV. EXAM INFORMATION

A study of the Insurance Examiner classification was conducted prior to developing the examination. A number of employees who work in this position and their supervisors participated in this study. The study showed that the following knowledges and abilities are associated with the duties listed in the Job Preview section of this booklet. These knowledges and abilities are needed on the first day of work before training:

- Knowledge of computer software to include word processing, databases, spreadsheets, and auditing software (ACL) as needed to select audit samples, compose reports and correspondence, schedule exams, and analyze information.

- Knowledge of basic accounting (as found in statutory regulations) as needed to obtain guidance and determine adherence to insurance accounting practices during the examination.

- Knowledge of grammar to include the proper use of English, punctuation, and spelling as needed to write letters, memos, and reports and to communicate in an effective manner.

- Knowledge of math to include adding, subtracting, multiplying, and dividing as needed to analyze, review, and prepare financial statements and other financial information.

- Ability to add, subtract, multiply and divide as needed to calculate balances and percentages, compute ratios, and re-calculate information.

- Ability to analyze information such as accounts, records, and documents as needed to recognize irregularities and determine the degree of reliance that can be placed on these materials.

- Ability to communicate adverse or unpleasant information to company personnel, the general public, and consultants as needed to handle complaints, resolve problems and differences, and communicate examination findings.

- Ability to communicate complex information to coworkers, consultants, and insurance company personnel as needed to direct the efforts of examiners and consultants and to conduct the examination.

- Ability to communicate effectively in order to testify in administrative hearings and in court proceedings.
• Ability to communicate orally with co-workers, insurance company personnel, and consultants as needed to discuss work related issues, statutes, standards, and procedures, request information, and make recommendations.

• Ability to communicate in writing to include the proper use of English grammar, punctuation, spelling, and business writing as needed to write memos, letters, work papers, and reports.

• Ability to compare financial data and documents as needed to obtain information on which to base an audit test, to corroborate information, and test assertions.

• Ability to organize work papers and other documentation as needed to provide supporting documentation for the examination report.

• Ability to drive as needed to get from one job to another and perform job duties.

• Ability to establish and maintain effective working relationships with co-workers, associates, insurance company officials and personnel, and the general public as needed to work with others, direct the work of others, and obtain needed information while evaluating the company and conducting the examination.

• Ability to evaluate information such as financial statements, analysis methods, pre-exam checklists, prior exam reports, and NAIC reports as needed to identify areas of concern, assign risk, select and perform audit procedures, and make recommendations.

• Ability to identify deficiencies in company’s accounts and records such as untimely reconciliations of securities and lack of supporting documentation for transactions as needed to assess risk, select audit procedures, and make recommendations.

• Ability to operate office equipment such as copiers, fax machines, calculators, and telephones as needed to perform job duties.

• Ability to organize and manage one’s own time to include maintaining files and prioritizing the components of assignments or companies as needed to perform job duties and complete examinations in a timely and efficient manner.

• Ability to perform audit procedures such as observation, inquiry, tracing, and vouching as needed to test audit assertions and complete the examination.

• Ability to read and comprehend complex information such as legal documents, company records, and company policies and procedures as needed to gain an understanding of the company’s operations, organizational structure, and services.

• Ability to research information as found in manuals, statutes, guidelines, and regulations as needed to determine company compliance, identify and resolve problems, clarify information, and find answers to items or areas in question.
• Ability to resolve problems such as interpersonal conflicts, lack of information, and results of findings as needed to conduct and complete the examination in a timely and efficient manner.

• Ability to operate a personal computer to include documenting and accessing information, transmitting information, and storing and analyzing information as needed to prepare documents, process reports, scan documents, and ensure data base is accurate.

• Ability to safeguard confidential information such as work papers, company records, and documents as needed to comply with confidentiality as stated in insurance statutes and department policies and procedures in order to ensure that company records are not compromised.

• Ability to work with word processing, databases, spreadsheets, auditing software as needed to type letters, memo’s, work papers, reports, gather financial information, monitor examinations in progress, and assist in the scheduling of examinations.

The examination for Insurance Examiner will measure the knowledges and abilities above that appear in bold print. The remaining knowledges and abilities must be demonstrated during the probationary period if you are hired into the Insurance Examiner position.

V. EXAMINATION DESCRIPTION

The examination will last 3 hours. The exam consists of 100 multiple-choice questions that are divided over 5 sections. You will find examples of exam items on the following page. Please review these items in order to familiarize yourself with the kinds of questions you will be asked and the format of the exam.
SECTION 1
READING AND COMPREHENSION

The loss ratio changes from period to period because of changes in the relationship between losses and premiums. Losses change as a result of changes in exposures, frequency, and severity-of-loss occurrences. Changes in loss adjustment expense levels also affect the loss ratio. Premiums change because of changes in premium rates, in the volume of risks insured, and in the extent of exposure per risk insured. Several analytical relationships exist between losses and premiums and their components. Particular effort should be made to obtain these statistics by accident year, if available, to eliminate the distortion of revisions in reserve estimates of prior years.

1. Based upon the preceding passage, changes in loss ratio are a result of changes in the relationship between ______________ and _______________.
   A. premiums and risk
   B. losses and accidents
   C. premiums and losses
   D. rates and risk

The correct answer is “C.”

SECTION 2
WRITTEN COMMUNICATION

Select the sentence that is grammatically correct.

   A. Are you certain it was him?
   B. Are you certain it is he?
   C. Are you certain of it being him?
   D. Are you certain of it being he?

The correct answer is “B.”
SECTION 3
MATHEMATICAL ABILITY

Chris is paid $12.25 per hour. If Chris works more than 40 hours in a workweek, he is paid at a rate of one and one-half of $12.25 per hour over 40 hours. What is the total amount of pay Chris would receive if he worked 48 hours in a workweek?

A. $657.00
B. $650.00
C. $637.00
D. $648.00

The correct answer is “C.”

SECTION 4
BASIC ACCOUNTING

According to Generally Accepted Accounting Principles (GAAP), investments are reported at _________.

A. fair value
B. amortized cost
C. none of the above
D. both A and B

The correct answer is “D.”

SECTION 5
AUDIT PROCEDURES/FINANCIAL INFORMATION

The City of Good Hope borrowed $100,000.00 from the First National Bank on January 1, 2005 for a period of three years at an interest rate of 10%. What is the amount of the accrued interest payable on the note on September 30, 2005?

A. $10,000
B. $7,500
C. $30,000
D. $22,500

The correct answer is “B.”
VI. ADDITIONAL INFORMATION FOR TAKING THIS EXAM

A. Strategies for Taking the Exam

By following the suggestions listed below, you can do your best:

- **Read the questions carefully.**

  Be sure you know what the question asks and what the choices say before you try to answer the question. On every test, people choose wrong answers simply because they failed to pay attention to part of the question or failed to read all of the answer.

- **Decide something about each question.**

  1. You may decide you know the answer. Mark your answer on the answer sheet. Spend no more time on that question.

  2. You may decide you are fairly sure of the answer, but may want to think more about it. Mark your answer sheet and make a note of it in the test booklet so it will be easier to find later.

  3. You may decide one or two answers are definitely not the best. Eliminate the answers you know are wrong then direct your attention to those choices that are potentially correct.

  4. You may decide that figuring out the answer is possible, but will take you a lot of time. Don’t mark any answer. Note the question in your test booklet so you can find it when you are ready to come back to it. Make sure you finish the test in enough time to come back to answer the question.

  5. You may decide you don’t know the answer and that all you can do is make a guess. Make the guess. Mark the answer sheet to show your answer. Don’t waste any more time on that question. There is no penalty for guessing and sometimes you may guess right.

- **Don’t change answers unless you have a good reason.**

  When people change their answers, they more often change from a right answer to a wrong one rather than from a wrong answer to a right one. The reason seems to be that they start thinking about some specific case, which results in choosing an answer on the basis of facts that are not given in the question. Or, people think about what some part of a question says and forget about what the rest of the question said.
• **Use your time efficiently.**

You may not have all of the time you might like to complete the test. In the parts of the test that require reading, read at a normal pace so that you can finish the test and have time to go back and work on the questions you saved until last.

• **Don’t give up.**

Many people give up too easily on test questions. If the question looks too hard, they don’t even try. Look for the specific information needed to answer the question. However, do not spend too much time on any one question just because it is hard. Doing so may not leave you enough time to answer the remaining questions.

B. **Study Suggestions**

You may find some of the following ideas helpful in preparing for the exam:

• Do not prepare for the exam in a single session.

• Study in a quiet place. Do not study when you are doing something else.

• Make up your own tests and take them.

• Study the Sample Test Items in this How to Prepare Booklet.

• Study whatever material you believe will assist you in learning the knowledges and abilities required for the Insurance Examiner I position as listed in Section IV of this booklet.

VII. **EXAM ADMINISTRATION INFORMATION**

A. **What To Bring To the Examination**

• Remember to bring to the exam the NOTIFICATION POSTCARD that you received from the State of Alabama Personnel Department. You will **not be allowed** to take the exam without your NOTIFICATION POSTCARD.

• To protect your own interests, you will also be asked to bring a PICTURE IDENTIFICATION to the exam location. This might be a valid driver’s license, a military identification card, a student identification card, or some form of picture identification. You only need to have one form of PICTURE IDENTIFICATION.

• Bring **several number 2 pencils with erasers** to the exam. It is also recommended that you bring a **highlighter pen** and a **calculator**.
• Remember, you will **not be allowed** to enter the exam location or take the exam without your NOTIFICATION POSTCARD **and** PICTURE IDENTIFICATION.

• Do **NOT** bring this Booklet to the exam location. You will not be permitted to bring it in the testing room.

• Do **NOT** bring any of your study materials to the exam. This includes notes, manuals, and other study materials.

B. **Taking the Exam**

You will be given 3 hours to complete the exam. Use your time efficiently. The exam is not a test of how quickly you can answer questions. However, it does not allow you the time you might like to have. In the parts of the test that require reading, try to keep a steady pace. Try to finish as much of the test as you can.

While reading passages, you may want to take a few notes. Make your notes brief. You may also want to underline or highlight important information as you read.

Don’t give up. Many people give up too easily on tests. If the question or problem seems hard, they do not even try. Mark an answer on your answer sheet even if it is a guess. You will not be penalized for guessing. On the other hand, do not spend too much time on any one question just because it is hard. This may not leave you enough time to answer the remaining questions.

VIII. **EXAM CONTACT**

You should contact the State Personnel Department if you have questions about the examination administration as you prepare to take the exam. Exam administrators are not allowed to divulge specific information about the content of the exam.

The contact person for the Insurance Examiner examination is Jill Hughes, a Personnel Analyst with the State Personnel Department. If you have questions about the contents of this document, please call her at (334) 242-3389.

IX. **GENERAL QUESTIONS ABOUT THE EXAM**

You should contact the State Personnel Department if you have questions about the examination administration as you prepare to take the exam. Exam administrators are not allowed to divulge specific information about the content of the exam.
Reasonable Accommodations

If you would like to request special testing accommodation or have any questions concerning the test site or testing conditions, please contact the State Personnel Department at (334)242-3389.

Rescheduling a Written Examination

If there is a conflict in your schedule, and you are unable to attend the written exam at the time and date for which you have been scheduled, you must resubmit your Application for Examination. The State Personnel Department will schedule you for the next available administration of this written test.

Test Results

Four to six weeks after completing the exam, you will receive a Notice of Examination Results postcard in the mail. This postcard will identify your score, or Band placement, for the written exam. If you have not received your score within four to six weeks, you should call the State Personnel Department.

In addition to your Band placement, you may also obtain your standing, or rank on the register, online at www.personnel.alabama.gov. From the home page, you should click on “Applicants” and then “Register Standings”, and follow the instructions. For security purposes, you must now create an online profile in order to access your standing.

X. BANDED SCORING

When the written exam for Insurance Examiner is graded, the scores will be grouped into bands. When you receive notification of how you did on the exam, you will not be given a numerical score (e.g., you will not receive a score of 95 out of 100.). Rather, you will be informed into which band your score fell. The following is information to help you understand the banding procedure.

What is banding?

Banding is one way to reduce the impact of fluctuations in test scores that do not provide meaningful information about differences in the ability to do the job. One important purpose of testing is to identify the differences in test scores that reflect real differences among candidates. Banded scoring is a statistical procedure for grouping raw test scores that statistically are not meaningfully different from one another. In banded scoring, bands are set objectively and mathematically. They are not manipulated arbitrarily.

Misconceptions about banding
There are many misconceptions about banding and the use of banded scores. Some of the most common misconceptions are listed below. Each misconception is followed by a clarification.

- **Misconception:** Each band should have the same number of people.

  The people in a band are similar to each other in that statistically there is no meaningful difference in their scores. Sometimes Band 1 may be very large and at other times it may be small. We do not force bands to be a certain size. The size of the bands is based on the scores people make.

- **Misconception:** Band numbers have no meaning. I don’t have a score.

  Think of a band as a group of tied scores. Think of a band as a group of scores that statistically are not meaningfully different. In school, two students with average grades of 94.5 and 94.3 would both be grouped into a band called “A” because the teacher cannot be sure that .2 of a point is a real difference in achievement. Think of scores on achievement tests children take in school. The fine print on the tests always cautions you not to focus on the numerical score but rather on the comparative score which uses some grouping technique such as percentiles, stanines, standard deviations, grade levels, etc. These grouping techniques are considered forms of banding.

- **Misconception:** Band numbers are the same as letter grades.

  Band 1 does not equate to an “A,” Band 2 to a “B,” etc. In school a predetermined numerical score (e.g., 92-100) equals an A. In banding, scores are banded only in relation to one another. Unlike grade school bands, the width of bands is not set in advance. You compete against your peers only. Your scores are set in relation to your peers only.

- **Misconception:** A band score on one test has the same value as a band score on another test.

  Banded scores are test specific and cannot be compared to banded scores on other tests.

- **Misconception:** People who have been on the job longest should be in the top bands.

  Time spent in a job may not be the same as skill in doing the job. The people with the strongest skills (or who did best on the exam) should be in the top bands. Some of these people will have been in the job longer than others. Years of service do not always equal proficiency.

- **Misconception:** A standing in Band 4 or below automatically indicates failure or eligibility for jobs.
This statement is false. A band score of 4 or lower is not automatically equated with failure. The true test of your employment opportunities is whether or not you can be certified and considered for a job vacancy.

- **Misconception:** Banding replaced the “Rule of 10.”

  Banding did not replace the “Rule of 10.” The “Rule of 10” determines the number of bands to be certified. In the past, tied scores referred to an actual numerical score (e.g., two candidates with a score of 98.98 were considered tied) while now all of the scores within a band are considered tied.

- **Misconception:** People in a band do not differ.

  When several people are placed in the same band, it does not mean that those people do not differ. Instead, it means that their scores on the exam do not differ enough to be separate scores.

**XI. STATE PERSONNEL TERMINOLOGY**

The following are terms that are used by State Personnel regarding test scores and employment that results from those scores. This section is provided to help you understand State Personnel terminology and procedures.

**Register:** A register is a list of all individuals who have successfully completed the selection procedure for a State Merit System job. The register is a complete list of individuals who are eligible for employment in a certain job classification.

**Certification:** A certification is a list of the top ten individuals on an employment register. These are the individuals who are immediately appointable to positions. A register that uses Banded Scoring may produce a certification with more than ten names. If Band 1 contains 15 names, then all 15 individuals will be on the Certification. Likewise, if Band 1 contains 3 people and Band 2 contains 25 people, then all individuals in both Bands 1 and 2 would be on the certification. Since individuals within a Band are considered to be tied, the certification cannot split up a Band. Certifications may be state-wide or specific to a county within the state.

**Test Failure:** Some multiple-choice tests administered by the state use a Pass/Fail point to identify individuals who failed the test.

**Subject Matter Experts:** Individuals who have detailed first-hand knowledge of a job. These individuals assist State Personnel in conducting thorough job studies and in many cases assist in developing specific exam components.