

Control of Risk Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. What concept describes obtaining funds from another who bears some responsibility for or who also has coverage for the claim?**
 - A. Recovery**
 - B. Subrogation**
 - C. Regulatory or statutory liability**
 - D. Self-administered Plan**

- 2. Which term describes a risk control technique that attempts to reduce the severity or financial impact of losses that are not prevented?**
 - A. Reduction**
 - B. Prevention**
 - C. Risk Analysis**
 - D. Occurrence**

- 3. Which term describes a risk analysis that uses qualitative methods to assess risks?**
 - A. Qualitative risk analysis**
 - B. Quantitative risk analysis**
 - C. Risk Analysis**
 - D. Risk Administration**

- 4. The spread of exposures or activities over several locations**
 - A. Segregation**
 - B. Risk Appetite**
 - C. Risk Identification**
 - D. Separation**

- 5. Which term means the possibility of a positive or negative outcome arising from a given set of circumstances?**
 - A. Occurrence**
 - B. Risk**
 - C. Peril**
 - D. Pure risk**

- 6. Which term means eliminating an activity or exposure to remove the chance of a loss?**
- A. Exposure**
 - B. Frequency**
 - C. Avoidance**
 - D. Loss**
- 7. Which components comprise Total Cost of Risk (TCOR)?**
- A. Employee benefits and payroll taxes**
 - B. Insurance costs, retained losses, risk management department costs, outside service costs, and measurable indirect costs**
 - C. Marketing costs and travel expenses**
 - D. Depreciation and interest expenses**
- 8. Which of the following areas is primarily associated with civil wrongs such as those defined here?**
- A. Criminal law**
 - B. Administrative law**
 - C. Tort law**
 - D. Constitutional law**
- 9. Which statement correctly characterizes a quasi-judicial format?**
- A. It is presided over by a judge with a full trial record**
 - B. It is informal mediation**
 - C. It is binding arbitration**
 - D. It is presided over by a mini-jury or magistrate and uses abbreviated testimony**
- 10. Which term is a demand for payment or obligation to pay as the result of a loss?**
- A. Loss**
 - B. Claim**
 - C. Incident**
 - D. Exposure**

Answers

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1. A
2. C
3. A
4. D
5. B
6. C
7. B
8. C
9. D
10. B

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Explanations

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1. What concept describes obtaining funds from another who bears some responsibility for or who also has coverage for the claim?

A. Recovery

B. Subrogation

C. Regulatory or statutory liability

D. Self-administered Plan

Subrogation is the process where, after an insurer pays a claim, it steps into the insured's position to pursue recovery from the party responsible for the loss or from that party's insurer. This mechanism shifts the financial burden from the insured to the entity that actually bears responsibility, helping to keep insurance costs down by allowing the insurer to recoup paid claims. It also reinforces the principle that the party at fault should ultimately bear the cost. Regulatory or statutory liability refers to legal accountability defined by law, not the method of recouping paid claim funds. A self-administered plan describes how benefits are managed, not the act of seeking recovery. The term recovery is general and can refer to various types of recoupment, but the specific insurance concept for obtaining funds from the party with responsibility or coverage for the claim is subrogation.

2. Which term describes a risk control technique that attempts to reduce the severity or financial impact of losses that are not prevented?

A. Reduction

B. Prevention

C. Risk Analysis

D. Occurrence

Reducing the severity of losses when they do occur is about risk reduction. After you've put in measures to prevent some events, you still face residual risk—the chance that a loss happens and its impact remains. Risk reduction focuses on lowering that impact, through strategies like safety enhancements, redundancy, contingency planning, and insurance coverage, to cap financial damage and speed recovery. Prevention, in contrast, aims to lower the likelihood of the event happening in the first place, not the size of the loss if it does happen. Risk analysis is about identifying and evaluating risks, not applying controls to lessen consequences. Occurrence isn't a control technique at all.

3. Which term describes a risk analysis that uses qualitative methods to assess risks?

- A. Qualitative risk analysis**
- B. Quantitative risk analysis**
- C. Risk Analysis**
- D. Risk Administration**

Qualitative risk analysis describes the process of assessing risks using descriptive terms and categories rather than precise numbers. It ranks risks by factors like likelihood and impact using scales such as high/medium/low and often employs a risk matrix to visualize priorities. This approach relies on judgment and expert input rather than numerical data, which is exactly what is meant by a qualitative method. In contrast, quantitative risk analysis would involve numeric probabilities, data, and mathematical models to estimate potential losses or schedule delays. The broader term “risk analysis” is too general, and “risk administration” is not a standard term for risk assessment.

4. The spread of exposures or activities over several locations

- A. Segregation**
- B. Risk Appetite**
- C. Risk Identification**
- D. Separation**

This item tests separation — distributing exposures or activities across multiple locations so a problem at one site doesn't impact all operations. Spreading assets and activities reduces concentration risk and boosts resilience by avoiding a single point of failure. The other terms don't fit as well. Segregation focuses on keeping elements apart to prevent interference or cross-contamination, not on proactively dispersing exposures across locations. Risk appetite is about how much risk an organization is willing to accept, and risk identification is about recognizing risks, not distributing exposures.

5. Which term means the possibility of a positive or negative outcome arising from a given set of circumstances?

- A. Occurrence**
- B. Risk**
- C. Peril**
- D. Pure risk**

Risk is the possibility of a positive or negative outcome arising from a given set of circumstances. It captures the uncertainty about what will happen and includes both upside and downside possibilities. This makes it the best fit here because the other terms describe narrower ideas: an occurrence is just an event; peril is a specific cause of loss; pure risk refers to situations with only loss or no loss, with no potential for gain. So risk best describes the range of possible outcomes from the circumstances. For example, launching a new product carries risk: it could succeed (positive outcome) or fail (negative outcome).

6. Which term means eliminating an activity or exposure to remove the chance of a loss?

- A. Exposure**
- B. Frequency**
- C. Avoidance**
- D. Loss**

Avoidance means eliminating an activity or exposure to remove the chance of a loss. In risk management, avoidance stops the risk entirely by not engaging in the activity or removing the situation that creates it, so the loss cannot occur because the exposure no longer exists. This is the simplest and most direct way to prevent a loss, though it may not always be practical if the activity has value or benefits. By contrast, exposure is simply being exposed to risk, frequency refers to how often a loss could occur, and loss is the actual adverse outcome that could happen if the risk materializes.

7. Which components comprise Total Cost of Risk (TCOR)?

- A. Employee benefits and payroll taxes**
- B. Insurance costs, retained losses, risk management department costs, outside service costs, and measurable indirect costs**
- C. Marketing costs and travel expenses**
- D. Depreciation and interest expenses**

Total Cost of Risk is the sum of every cost tied to creating, owning, and financing risk in an organization. It goes beyond insurance premiums to include losses you retain, the resources dedicated to managing risk, external services you hire, and costs that can be measured even if they aren't billed as premiums. The best answer captures all these pieces: insurance costs (premiums and related claim handling), retained losses (self-insured losses and deductibles), the costs of the risk management department, outside service costs (consultants, brokers, third-party administrators), and measurable indirect costs (time and productivity lost or overhead associated with risk activities that can be quantified). Other choices pull in expenses that aren't specific to risk management—employee benefits and payroll taxes are general HR costs, marketing and travel aren't risk-related, and depreciation and interest are financing or asset costs, not part of the risk management cost envelope.

8. Which of the following areas is primarily associated with civil wrongs such as those defined here?

- A. Criminal law
- B. Administrative law
- C. Tort law**
- D. Constitutional law

Civil wrongs and the remedies for them are handled in tort law. This area deals with harm caused by one party to another and provides a way for the injured party to obtain compensation or other redress through civil lawsuits. The focus is on private disputes and restitution rather than punishment. Criminal law, by contrast, concerns offenses against the state, with penalties like imprisonment or fines and a standard of proof beyond a reasonable doubt. Administrative law governs how government agencies create and enforce rules, and constitutional law deals with rights and powers defined by the constitution. Among these, tort law is the one most closely associated with civil wrongs and the corresponding remedies.

9. Which statement correctly characterizes a quasi-judicial format?

- A. It is presided over by a judge with a full trial record
- B. It is informal mediation
- C. It is binding arbitration
- D. It is presided over by a mini-jury or magistrate and uses abbreviated testimony**

Quasi-judicial format means a hearing-like process where a neutral decision-maker weighs evidence and issues a binding decision, but with less formality than a court trial. The defining elements are a magistrate, hearing officer, or small panel presiding, and the use of abbreviated testimony rather than a full, formal trial record. This combination—neutral decision-maker plus streamlined testimony—best fits how quasi-judicial proceedings operate. By contrast, a full trial is conducted by a judge with a complete trial record, mediation involves informal settlement talks without a binding adjudicative decision, and arbitration is a private process with its own procedures for reaching a binding result outside the quasi-judicial framework.

10. Which term is a demand for payment or obligation to pay as the result of a loss?

- A. Loss
- B. Claim**
- C. Incident
- D. Exposure

The idea here is to identify the term that represents a formal demand for payment after a loss. A claim is exactly that: a request to be compensated for the loss, the obligation to pay that arises when damage or liability occurs. The loss is the money value of the damage itself, not the request for payment. An incident is the actual event that causes damage, such as a crash or fire. Exposure is the amount at risk, the potential for loss before any event happens. In practice, after an incident causes damage, the insured files a claim to receive payment for the loss.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://controlofrisk.examzify.com>

We wish you the very best on your exam journey. You've got this!

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