

NAME: _____

DATE: _____

PRE-QUIZ

Risk Management & Insurance

What + Why: A quick, ungraded check on what you already know—your answers help shape the learning ahead. It's okay not to know—just give it your best shot.

Instructions:

1. Answer each question as best you can.
 2. Circle the best answer for each question.
 3. Submit it when you're done.
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1. Which example best demonstrates transferring financial risk?
 - a. keeping extra cash at home for emergencies
 - b. choosing not to invest in cryptocurrency
 - c. purchasing health insurance to cover medical expenses
 - d. diversifying across several mutual funds
 2. A bank insured by the FDIC unexpectedly fails. What protection does the FDIC provide to consumers?
 - a. It guarantees that investments will not lose value.
 - b. It protects deposited funds up to applicable coverage limits.
 - c. It replaces any income lost because of the bank failure.
 - d. It prevents inflation from reducing purchasing power.

3. Which investor is most likely to have a low risk tolerance?
 - a. an investor who is comfortable with large market swings in exchange for higher potential returns
 - b. an investor who prefers stable returns and wants to minimize the possibility of losing money
 - c. an investor who actively seeks high-risk, high-reward opportunities
 - d. an investor who is willing to accept significant losses to pursue greater growth
4. Which example best illustrates overconfidence bias in investing?
 - a. An investor researches multiple sources before making a decision.
 - b. An investor believes they can consistently outperform the market without evidence.
 - c. An investor diversifies their portfolio to reduce risk.
 - d. An investor follows a long-term investment plan.
5. Why are regulations and professional ethics important in financial markets?
 - a. They guarantee that investments will always increase in value.
 - b. They eliminate all financial risk for consumers.
 - c. They help promote fair practices, transparency, and accountability in financial decisions.
 - d. They allow financial professionals to make decisions without oversight.