Module 10: Microinsurance and Economic Development
Practice Quiz

Multiple Choice
Identify the letter of the choice that <u>best</u> completes the statement or answers the question.
Each question has only <u>ONE</u> correct answer.

1. Which of the facts below indicates an improvement in the average living standard within a country over time?
    A. Zimbabwe's GDP measured in USD tripled between 2000 and 2020.
    B. Zambia's population increased by 80% between 2000 and 2020.
    C. South Africa's real GDP increased by 51% between 2000 and 2020.
    D. The average annual growth rate in China's real GDP per capita was close to 7% over the period 1960 – 2020.
    E. Both **C.** and **D.**
Answer: E

2. Which of the facts below enables you to make cross-country comparisons?
    A. Japan's real GDP per capita was $7,000 in 1960 and $35,000 in 2020.
    B. Canada's real GDP per capita was 10 times larger than that of Indonesia in 2020.
    C. South Africa's real GDP increased by 51% between 2000 and 2020.
    D. The average annual growth rate in China's real GDP per capita was close to 7% over the period 1960 – 2020.
    E. Both C. and D.
Answer: B

3. All of the following are reasons for the higher price of microinsurance compared to traditional insurance *<u>except</u>*
    A. Microinsurance is priced based on market principles.
    B. Microinsurance clients are riskier compared to traditional insurance clients.
    C. The small size of microinsurance premiums and claims are costly to administer
    D. Microinsurance clients' risk is difficult to assess.
    E. Making claim payments to microinsurance clients is costly for the insurer.
Answer: A

4. Which of the following is not a characteristic of microinsurance?
    A. Microinsurance is priced based on market principles.
    B. Microinsurance targets low-income individuals.
    C. Microinsurance is provided by both formal and informal insurers.
    D. Microinsurance is a scaled-down version of conventional insurance.
    E. Microinsurance covers the same risks as conventional insurance.
Answer: D

Fill in the missing word(s) (or drag and drop)

5. Fill in the blank spaces in the table below.

Year	Nominal GDP (in millions)	Population	CPI (2014 = 100)	Inflation (in %)	Real GDP (in millions)	Real GDP per capita
2010	368,358	24,819,915			403,459	16,255
2011	388,181	25,116,942	92.9	1.75	417,848	16,636
2012	421,316		95.4	2.69	441,631	17,410
2013	461,986	25,607,053		2.52	472,378	18,447
2014	500,027	25,842,116	100.0	2.25		19,349
2015		26,100,278	102.8	2.80	512,286	19,628
2016	574,336	26,446,601	104.7		548,554	
2017		26,791,747	107.0	2.20		21,868
2018	671,579			1.96	615,563	22,567
2019	695,501	27,691,138	111.5		623,768	
2020		28,037,420	114.1	2.33	615,051	

Answer:

Year	Nominal GDP (in millions)	Population	CPI (2014 = 100)	Inflation (in %)	Real GDP (in millions)	Real GDP per capita
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2011	388,181	25,116,942	92.9	1.75	417,848	16,636
2012	421,316	25,366,451	95.4	2.69	441,631	17,410
2013	461,986	25,607,053	97.8	2.52	472,378	18,447
2014	500,027	25,842,116	100	2.25	500,027	19,349
2015	526,630	26,100,278	102.8	2.80	512,286	19,628
2016	574,336	26,446,601	104.7	1.85	548,554	20,742
2017	626,894	26,791,747	107	2.20	585,882	21,868
2018	671,579	27,276,781	109.1	1.96	615,563	22,567
2019	695,501	27,691,138	111.5	2.20	623,768	22,526
2020	701,773	28,037,420	114.1	2.33	615,051	21,937

6. Fill in the missing words
_____ (Informal insurers) dominate the microinsurance market in number, but _____ (formal insurers) have a dominant market share.

_____ (Health) insurance and _____ (agricultural) insurance are the most highly valued covers by low-income individuals for risk management. However, _____ (life) insurance and _____ (credit life) insurance have dominated the market.

The risks covered by a microinsurance product in absolute terms are minuscule from the perspective of the _____ (insurer).

True or False
7. GDP is useless in measuring welfare because it does not include things that we value such as leisure.
    A. True
    B. False
Answer: False

8. All else equal, GDP will underestimate the size of the economy if a country has a large informal sector.
    A. True
    B. False
Answer: True

9. Microinsurance can have an impact on economic growth through its impact on the factor accumulation.
    A. True
    B. False
Answer: True

Short answer
10. Suppose the CPI today is 120. If your income today is $30,000 and you have the same purchasing power as in the base year, what was your income in the base year?

Answer: 30,000 / (120/100) = $25,000

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