

**Exercise 1.C**

Read through the examples that follow and mark each as a physical, morale, or moral hazard.

1. Jerry is having serious business difficulties. He plans to burn down the building in which his business operates so he can collect on the insurance.  

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2. Bill leaves his car unlocked whenever he goes shopping. He figures that the car is insured and there is no reason to worry.  

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3. The Starfire Equipment Company, which is occupied in a very old building, has had several serious fires in the last two years. An inspector says that a worn-out furnace may have caused the fires.  

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Exercise answers can be found at the end of the Unit 1 answers and rationales.