Question 1. In the following multiple-choice questions, indicate by letter (a), (b), (c), (d), or (e), whichever ONE (1) identifies the most correct answer.

Section I. ALL STUDENTS

1. In the common law provinces, insurance contracts are regulated by the following legislation:
   (a) The Insurance Acts
   (b) The Statutory Conditions
   (c) The Financial Institutions Act
   (d) (a) and (b)
   
2. In the common law provinces, the fire peril is defined by the Insurance Acts to mean
   (a) fire (whether resulting from natural, coal, or manufactured gas).
   (b) fire (except as a result of explosion).
   (c) fire (whether resulting from explosion or otherwise).
   (d) fire (except as a result of natural, coal, or manufactured gas).

3. In the common law provinces, a written application for insurance is made mandatory by
   (a) the Insurance Acts.
   (b) precedents in case law.
   (c) the Statutory Conditions.
   (d) all of the above
   (e) none of the above

continued over
4. Which of the following do the Insurance Acts in the common law provinces NOT require in an insurance contract?
   (a) The amount or method of determining the amount of premium
   (b) The occupancy of the insured building
   (c) The indemnity for which the insurer may become liable
   (d) The name of the person(s) to whom the insurance money is payable
   (e) None of the above

5. For a loss under the Basic Fire Policy, the insured may recover
   (a) the replacement cost of damaged or destroyed property at the time of loss.
   (b) the actual cash value of damaged or destroyed property at the inception of the policy.
   (c) the replacement cost of damaged or destroyed property at the inception of the policy.
   (d) the actual cash value of damaged or destroyed property at the time of loss.

6. Insured property at any one location described in one item
   (a) necessarily comprises only one object.
   (b) may comprise only one object.
   (c) may comprise a number of objects within a class of objects.
   (d) (b) and (c)

7. Which of the following is NOT a common rating criterion for property risks?
   (a) Private fire protection
   (b) Amount of insurance
   (c) Public fire protection
   (d) Susceptibility of contents

8. A deductible is
   (a) an amount by which a loss payment to the insured will be reduced.
   (b) the insurer’s portion of the loss.
   (c) available to the insured for an additional premium.
   (d) all of the above

9. If the owner of a building worth $125,000 buys $90,000 of insurance on a policy with an 80% coinsurance clause, then suffers a loss of $50,000, his recovery under the policy will be
   (a) $45,000
   (b) $50,000
   (c) $90,000
   (d) $42,500
10. If the building owner in Question 9 had bought $100,000 of insurance on a policy with a 90% coinsurance clause and a 2% coinsurance waiver, then suffered a loss of $20,000, his recovery under the policy (rounded to the nearest $100) would have been
(a) $20,000
(b) $17,800
(c) $  8,800
(d) $  4,000

11. A fortuitous loss is
(a) not accidental in origin, as far as the insured is concerned.
(b) the result of loss from a cause extraneous to the damaged object.
(c) the result of loss from a cause inherent to the damaged object.
(d) the cause of loss to an extraneous object.

12. Which of the following types of loss are “fire damage” under a fire insurance contract?
(a) property not burned but scorched by the heat from a friendly fire.
(b) property burned and scorched by the heat from a friendly fire.
(c) property not burned but scorched by the heat from a hostile fire.
(d) (a) and (b)

13. The proximate cause of a loss may be defined as
(a) an approximation of the exact cause of the loss.
(b) the event that initiates the continuous chain of events leading to the loss.
(c) the event that immediately precedes the loss.
(d) the indirect loss caused by the direct loss.

14. Under a property insurance policy, additions, alterations, or repairs may be permitted
(a) with the insurer’s express written consent.
(b) under a Permission clause that allows minor work of this kind.
(c) if the insured advises the insurer of a material change and receives its consent.
(d) all of the above

15. As a basis of loss settlement, actual cash value
(a) serves the principle of indemnity.
(b) is sometimes unfair to insureds.
(c) is calculated as at the inception of the policy.
(d) (a) and (b)
(e) (a) and (c)
Section II. ANSWER EITHER GROUP A OR GROUP B.

GROUP A. ALL PROVINCES OTHER THAN QUEBEC

A16. Statutory Condition 2, Property of Others, states that, unless otherwise specifically stated in the policy, the insurer is not liable for loss or damage to property
   (a) owned by any person other than the insured, unless the insured's interest is stated.
   (b) in the care, custody, or control of the insured, unless the insured's interest is stated.
   (c) owned by the insured, unless the insured's interest is stated.
   (d) in the care, custody, or control of any person other than the insured's, unless the insured's interest is stated.

A17. Statutory Condition 7, Fraud, provides that, concerning a statutory declaration in relation to a loss,
   (a) if fraud is proven regarding only part of a claim, only that part of the claim may be denied.
   (b) any fraud or wilfully false statement terminates the policy.
   (c) if fraud is proven regarding only part of a claim, the entire claim may be denied.
   (d) any fraud or wilfully false statement prevents the insured's recovery for other insured losses.

A18. Under Statutory Condition 8, Who May Give Notice and Proof,
   (a) only the named insured may give notice or proof of loss.
   (b) an agent of the insured may give notice or proof of loss if the insured prefers.
   (c) only an agent of the insured may give notice or proof of loss if the insured cannot.
   (d) a mortgagee may give notice or proof of loss only if the insured cannot or will not.

A19. Statutory Condition 9, Salvage,
   (a) ensures that any loss the insured incurs will be fortuitous.
   (b) maximizes the value of the insured's salvage rights after a loss.
   (c) obligates the insurer to prevent further damage to damaged property.
   (d) (a) and (c)
   (e) all of the above

A20. Statutory Condition 10, Entry, Control, Abandonment, provides that the insurer
   (a) may survey and examine loss to insured property at the insured's convenience after a loss.
   (b) must consent to any abandonment of insured property to it by the insured.
   (c) is entitled to control or possession of insured damaged property.
   (d) may begin appraising or estimating loss to insured property immediately after the loss.

continued on next page
A21. Which of the following does NOT appear on the Coverage Summary of a residential policy form?
(a) The address of a loss payee
(b) The occupancy of each location
(c) The public fire protection at each location
(d) None of the above

A22. In the Residential Basic Form, the term “dwelling building” could NOT be applied to a
(a) house.
(b) carport.
(c) swimming pool.
(d) solarium.
(e) none of the above

A23. In the Residential Basic Form, which of the following is NOT covered under Fair Rental Value?
(a) Income from a part of the dwelling being rented
(b) Expenses that cease while building damage is repaired
(c) Income from a part of the building being held for rent
(d) Expenses that continue while building damage is repaired

A24. Suppose a building is insured under a Residential Basic Form for $90,000 and that two detached private structures, a guest cottage and a garage, are collectively insured for $9,000. If the cottage and garage are worth $9,000 and $3,000 respectively, what amount of insurance is available for the guest cottage in the event of loss?
(a) $6,750
(b) $9,000
(c) $4,500
(d) $5,450

A25. Which of the following is NOT an optional extension of Personal Property coverage under the Residential Basic Form?
(a) Uninsured personal property of others
(b) Personal property away from the premises
(c) Fair rental value
(d) Prohibition of access by a civil authority

A26. Which of the following was true of the old Credit for Existing Insurance Endorsement?
(a) It addressed the short-rate penalty for mid-term cancellation.
(b) It addressed the shortfall in coverage due to a policy’s Other Insurance clause.
(c) It eased acceptance of the package approach in the Composite Dwelling Policy.
(d) All of the above

continued over
A27. Which of the following best describes coverage under the Homeowners Broad Form?
   (a) Named perils on the contents; all risks on the dwelling building and private structures
   (b) Named perils excluding Theft on the contents; all risks on the dwelling buildings and private structures
   (c) All risks on the dwelling buildings and private structures; all risks on the contents
   (d) Named perils excluding Theft on the contents; named perils including Glass Breakage on the dwelling buildings and private structures

A28. Which of the following is NOT true of the limits for the Coverages in a Homeowners policy?
   (a) The limits for Coverages B, C, and D are fixed percentages of the limit for Coverage A.
   (b) The percentages of the limit for Coverage A that determine limits for Coverages B, C, and D are stated in the policy.
   (c) The percentages and the limit they produce for each coverage are shown in the Coverage Summary.
   (d) The limits for Coverages B, C, and D are separate and in addition to the limits for Coverage A.

A29. Which of the following is NOT excluded under the Personal Property coverage of a Homeowners form?
   (a) Motorized vehicles
   (b) Camper units
   (c) Spare automobile parts
   (d) Aircraft

A30. In the Homeowners forms, the Debris Removal clause
   (a) is identical to its counterpart in the Basic Fire Policy.
   (b) is identical to its counterpart in the Residential Basic Form.
   (c) increases the amount of insurance under the policy.
   (d) all of the above

A31. Which of the following is true about the Emergency Removal Expense coverage in the Mobile Homeowners Form?
   (a) It is an automatic extension of the Mobile Home Building coverage.
   (b) The deductible applies to this allocation of coverage.
   (c) It increases the amount of insurance.
   (d) The expenses it covers are similar to salvage expenses under the Statutory Conditions.

continued on next page
A32. In the Mobile Homeowners Form, the Personal Property coverage
(a) excludes certain property that is part of the corresponding coverage in the
Homeowners forms.
(b) differs from that in the Homeowners forms in the first part of the description of
property insured.
(c) differs from that in the Homeowners forms in one of the Special Limits of Insurance.
(d) all of the above

A33. Which of the following is true of the Tenants Comprehensive Form?
(a) It excludes dwelling improvements and betterments.
(b) It extends limited coverage for dwelling damage.
(c) Its coverage for outdoor shrubs and plants is the same as in the Homeowners form.
(d) It extends coverage for the cost of repairs to walls torn down to repair water
damage.

A34. The “cube of space concept” refers to the ownership of
(a) the four walls, floor, and ceiling of a condominium building.
(b) the four walls, floor, and ceiling of a condominium unit.
(c) the four walls, floor, and ceiling of a co-operative building.
(d) the four walls, floor, and ceiling of a co-operative unit.

A35. Which of the following is NOT true of a condominium corporation?
(a) It buys insurance for the condominium units on behalf of their owners.
(b) Its members comprise the owners of the condominium units.
(c) It buys insurance for the condominium building on behalf of its owners.
(d) Its by-laws are binding on all members of the corporation.

A36. The Personal Articles form is used for which of the following classes of property?
(a) Firearms, musical instruments, credit cards, silverware
(b) Cameras, firearms, furs, jewellery
(c) Stamps, coins, watercraft, radios
(d) Silverware, camper units, musical instruments, radios

A37. Which of the following is true of the Newly Acquired Articles clause in the Personal
Articles form?
(a) At the insurer’s option, it extends coverage to newly acquired articles reported
within 30 days.
(b) It automatically extends coverage to newly acquired articles reported within
30 days.
(c) It extends coverage to newly acquired items up to the policy limit.
(d) It extends coverage to newly acquired items of a type not already insured.

continued over
A38. Under which of the following circumstances will coverage be available ONLY under Section B of the IBC Fine Arts Floater?
(a) When the fine arts are at specified locations
(b) When the fine arts are in transit between specified locations
(c) When the fine arts are on exhibition
(d) When the fine arts are at an unspecified warehouse in the United States.

A39. In the IBC Fine Arts Floater, the term “fine arts”
(a) is specifically defined to avoid conflict between insurer and insured.
(b) is defined by agreement between insurer and insured before the policy’s inception.
(c) may be applied as the insured chooses under the doctrine of contra proferentum.
(d) is not defined.

A40. The Increased Cost—Demolition or Construction (for Dwellings) endorsement
(a) requires a separate amount of insurance.
(b) extends the coverage under the habitational form to which it is attached.
(c) amends the insurer’s claims payment obligations.
(d) (b) and (c)

Answer Group B (Quebec) only if you have NOT answered Group A (Other Provinces).
If you have completed Group A, go directly to Question 2.

GROUP B. QUEBEC

B41. Under General Condition 1.3, Misrepresentations or concealment, any dishonest representations of relevant facts by the insured before the contract is made allow the insurer to void the contract
(a) at its option.
(b) only before a loss.
(c) only after a loss.
(d) only if the insurer can prove the insured’s bad faith.

B42. General Condition 2.2, Changes, provides that the terms of the policy
(a) may not be changed by the insurer with an endorsement.
(b) shall not be waived or changed without the insured’s consent.
(c) may be changed by any means to which both parties agree.
(d) shall not be waived or changed except by endorsement.

B43. Under General Condition 3.1, Notice of loss,
(a) the insured must notify the insurer of all losses.
(b) any person may give notice of loss to the insurer.
(c) the insured shall notify the insurer of any loss that may give rise to an indemnity.
(d) any failure of compliance will cause the insured to forfeit rights to compensation.

continued on next page
B44. General Condition 4.2, Pair and set, provides that
(a) loss of an unscheduled article is not covered.
(b) loss of an article shall be measured as a fair proportion of the value of the set.
(c) loss of an article shall be construed to mean loss of the set.
(d) loss of a scheduled article shall be construed to mean loss of the set.

B45. Under General Condition 4.5, Time of payment, the insurer shall pay the indemnity
(a) within 65 days of receiving all relevant information and vouchers.
(b) provided the insured has paid the policy premium.
(c) within 60 days of receiving the notice of loss.
(d) (b) and (c)

B46. Which of the following does NOT appear on most Coverage Summary forms?
(a) The address of a loss payee
(b) The occupancy of each location
(c) The public fire protection at each location
(d) None of the above

B47. In the Building and/or Contents Named Perils form, the term “dwelling building” could
NOT be applied to a
(a) house.
(b) conservatory.
(c) swimming pool.
(d) solarium.
(e) none of the above

B48. In the Building and/or Contents Named Perils form, which of the following is
NOT covered under Fair Rental Value?
(a) Income from a part of the dwelling being rented
(b) Expenses that cease while building damage is repaired
(c) Income from a part of the building being held for rent
(d) Expenses that continue while building damage is repaired

B49. Suppose a building is insured under a Building and/or Contents Named Perils form for
$90,000 and that two detached private structures, a guest cottage and a garage, are
collectively insured for $9,000. If the cottage and garage are worth $9,000 and $3,000
respectively, what amount of insurance is available for the guest cottage in the event of
loss?
(a) $6,750
(b) $9,000
(c) $4,500
(d) $5,450

continued over
B50. The Personal Property coverage in the Building and/or Contents Named Perils form may include
(a) temporary property.
(b) improvements and betterments.
(c) drawn machinery.
(d) all of the above

B51. If the dwelling covered under a Building and/or Contents Named Perils form is a mobile home, then the Dwelling Building coverage is understood to include
(a) dwelling improvements and betterments.
(b) outdoor equipment permanently installed on the premises.
(c) appliances permanently affixed to the building.
(d) (b) and (c)

B52. Which of the following was true of the old Credit for Existing Insurance Endorsement?
(a) It addressed the short-rate penalty for mid-term cancellation.
(b) It ensured proportional sharing of loss between a Composite Dwelling Policy and other policies.
(c) It eased acceptance of the package approach in the Composite Dwelling Policy.
(d) All of the above

B53. Which of the following best describes coverage under the Homeowners Broad Form?
(a) Named perils on the contents; all risks on the buildings
(b) Named perils excluding Theft on the contents; all risks on the buildings
(c) All risks on the buildings; all risks on the contents
(d) Named perils excluding Theft on the contents; named perils including Glass Breakage on the buildings

B54. Which of the following is NOT true of the limits for the Coverages in the Homeowners Standard Form?
(a) The limits for Coverages C and D are fixed percentages of the limit for Coverage A.
(b) Expressing the limits for Coverages C and D in terms of the limit for Coverage A addresses the problem of underinsurance.
(c) The percentages and the limit they produce for each coverage may vary between insurers.
(d) The limits for Coverages C and D are separate and in addition to the limits for Coverage A.
(e) None of the above

B55. Which of the following is NOT excluded under the Personal Property coverage of the Homeowners Standard Form?
(a) Motorized vehicles
(b) Trailers
(c) Watercraft on the insured premises
(d) Appliances permanently affixed to a mobile home
B56. In the Homeowners Standard Form, the Debris Removal clause
(a) pays the expense of removing debris blown onto the insured premises.
(b) increases the amount of insurance under the policy.
(c) pays the expense of removing debris of insured and uninsured property.
(d) none of the above

B57. The Condominium Unit Owners Package forms
(a) extend coverage to the condominium building.
(b) define “dwelling” in the same way as do the Homeowners forms.
(c) exclude coverage for building fixtures and fittings temporarily removed.
(d) extend all risks coverage to trees and shrubs provided they are on the premises.

B58. Which of the following is true of the Tenants Standard Form?
(a) It excludes dwelling improvements and betterments.
(b) It extends conditional coverage for dwelling damage.
(c) Its coverage for Glass Breakage is the same as in the Homeowners Standard Form.
(d) It extends coverage for building repairs required by water damage.

B59. The “cube of space concept” refers to the ownership of
(a) the four walls, floor, and ceiling of a condominium building.
(b) the four walls, floor, and ceiling of a condominium unit.
(c) the four walls, floor, and ceiling of a co-operative building.
(d) the four walls, floor, and ceiling of a co-operative unit.

B60. Which of the following is NOT true of a condominium syndicate?
(a) It buys insurance for the condominium units on behalf of their owners.
(b) Its members comprise the owners of the condominium units.
(c) It buys insurance for the condominium building on behalf of its owners.
(d) Its by-laws are binding on all members of the syndicate.

B61. The Scheduled Personal Articles Floater is used for which of the following classes of property?
(a) Firearms, musical instruments, credit cards, silverware
(b) Cameras, firearms, furs, jewellery
(c) Stamps, coins, watercraft, radios
(d) Silverware, camper units, musical instruments, radios

B62. Which of the following is true of the Newly Acquired Articles clause in the Personal Articles form?
(a) At the insurer’s option, it extends coverage to newly acquired articles reported within 30 days.
(b) It automatically extends coverage to newly acquired articles reported within 30 days.
(c) It extends coverage to newly acquired items up to the policy limit.
(d) It extends coverage to newly acquired items of a type not already insured.

continued over
B63. The IBC Personal Computer Endorsement covers
(a) loss to computers while being repaired.
(b) the cost of gathering lost data after a power failure.
(c) loss caused by magnetic disturbance.
(d) loss caused by lightning.

B64. Generally, Outboard Motor and Boat policies
(a) offer more restrictive coverage for motor boats than do the Homeowners forms.
(b) are standard among insurers.
(c) schedule each boat with a separate amount of insurance.
(d) cover against named perils.

B65. The Contingent Liability from Enforcement of Building By-Laws Endorsement
(a) requires a separate amount of insurance.
(b) extends the coverage under the habitational form to which it is attached.
(c) amends the insurer’s claims payment obligations.
(d) (b) and (c)

ALL STUDENTS

Question 2. (a) How does the Basic Fire Policy deal with processes involving the application of heat? Give an example of when resulting damage would be covered and when it would not be covered. (6 marks)

(b) Explain the exclusion in the Basic Fire Policy regarding vacancy, unoccupancy, or non-operation and the reasons for it. (8 marks)

(c) Briefly describe the provisions of the following standard extensions of coverage:
   (i) Removal of insured property (4 marks)
   (ii) Removal of debris (2 marks)

Question 3. (a) Explain how a lender is better protected with a mortgage clause than by being named simply a loss payee under the policy. (10 marks)

(b) Explain the condominium form of ownership and the insurance responsibilities of the parties concerned. (5 marks)

(c) If condominium unit owners have mortgages on their units, explain how the interests of the mortgagees are recognized in the building policy and how the proceeds of insurance claims are distributed. (5 marks)

continued on next page
Question 4.  
(a) Explain fully why Coinsurance clauses are used in many property policies.  
(b) Explain the purpose and operation of the Waiver of Coinsurance clause.  
(c) Explain the purpose and operation of a Stated Amount Coinsurance clause.

Question 5.  
(a) Explain the importance of establishing the proximate cause of a fire in deciding whether the loss is covered under a property insurance policy.  
(b) When an insurer allows a policy to be written on a replacement cost basis rather than an actual cash value basis, what FIVE (5) special conditions would normally apply in respect to the settlement of a loss?  
(c) Briefly explain the purpose of the “Other Insurance” clause in the property insurance policy.

Question 6.  
Answer this question for EITHER A OR B.  
A. Homeowners Basic Form (IBC 1151) (Common Law)  
OR  
B. Homeowners Standard Form (IBC 1501) (Quebec)  
(a) Explain the coverage available for personal property of persons other than the named insureds while on the premises.  
(b) Explain the personal property coverage for students living away from home.  
(c) Identify FIVE (5) types of property to which sub-limits apply under the Special Limits of insurance.

Question 7.  
Answer this question for EITHER A OR B.  
A. All Provinces and Territories Except Quebec  
Increased Cost–Demolition or Construction (for Dwellings) Endorsement (IBC Form 1180)  
OR  
B. Quebec  
Contingent Liability from Enforcement of Building By-laws (IBC Form 1552)  
(a) Explain the effect of attaching this endorsement to the policy.  
(b) What effect does this endorsement have on the sum insured?  
(c) Describe the THREE (3) restrictions that apply to this endorsement.