C12 INSURANCE ON PROPERTY – PART 1

READ CAREFULLY:

The time allowed for this exam is 3 hours.

The total marks are based on FORTY (40) multiple-choice questions in Question 1 and SIX (6) other questions, the marks for which are as stated.
Total marks – 200

YOU MUST HAND THIS PAPER AND ANY PAPER USED FOR ROUGH WORK TO THE SUPERVISOR WHEN YOU LEAVE THE EXAMINATION ROOM. FAILURE TO DO SO MAY RESULT IN DISQUALIFICATION.

Section A: Multiple-Choice Questions

Question 1. In the following multiple-choice questions, indicate by letter (A), (B), (C) or (D) whichever ONE (1) identifies the most correct answer.

DO NOT MARK THE ANSWERS ON THESE PAGES.
USE THE FIRST PAGE OF YOUR ANSWER BOOK.

Division I ALL STUDENTS

1. In the common law provinces, the fire peril is defined by the Insurance Acts to mean

(A) fire, except as a result of explosion.
(B) fire, except as a result of natural, coal, or manufactured gas.
(C) fire, whether resulting from explosion or otherwise.
(D) fire, whether resulting from natural, coal, or manufactured gas.

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2. Which of the following is TRUE of the Statutory Conditions in the common law provinces?

(A) They are binding on the insurer but not on the insured.
(B) They must be printed in every fire insurance policy, although not necessarily in exactly the same words as set out in the Insurance Acts.
(C) They must be printed in every fire insurance policy exactly as set out in the Insurance Acts.
(D) (A) and (C)

3. The Civil Code of Quebec outlines insurance provisions similar in intent to the Statutory Conditions in the common law provinces, but different in that they

(A) incorporate the most common additional conditions relating to property insurance.
(B) must be printed in every fire insurance policy exactly as set out in the Code.
(C) need not be printed in every fire insurance policy exactly as set out in the Code.
(D) were originally developed by the Insurers' Advisory Organization for insurance contracts governed by the Code.

4. Under the Basic Fire Policy, with respect to loss while the building is vacant or unoccupied,

(A) coverage is automatically restored should occupancy be resumed after the 30-day period.
(B) notice to the insurer automatically overrides the exclusion.
(C) the 30-day period begins when the building becomes vacant or unoccupied.
(D) (B) and (C)

5. A deductible is

(A) an amount by which a loss payment to the insured will be reduced.
(B) available to the insured for an additional premium.
(C) the insurer's portion of the loss.
(D) all of the above

6. The Waiver of Coinsurance clause

(A) waives insurance to value.
(B) waives the Coinsurance clause at the insured's discretion.
(C) waives the Coinsurance clause at the insurer's discretion.
(D) waives the Coinsurance clause for losses of less than specified amounts.

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7. The Mortgage clause

(A) creates a separate contract between the insurer and the mortgagor.
(B) creates rights and obligations for both the mortgagor and the insured.
(C) does not permit the mortgagor to give notice or proof of loss.
(D) protects the mortgagor provided the named insured has not breached any policy condition.

8. A fortuitous loss is

(A) accidental in origin as far as the insured is concerned.
(B) one made inevitable by inherent fault or defect in the object destroyed or damaged.
(C) one that benefits the insured.
(D) the result of willful or fraudulent action by the insured.

9. In Quebec, insurance contracts are regulated by which of the following legislation?

(A) The Civil Code
(B) The Financial Institutions Act
(C) The General Conditions
(D) The Statutory Conditions

10. In addition to the fire peril, the Basic Fire Policy must also insure against

(A) all smoke and water damage.
(B) explosion and lightning damage.
(C) lightning and windstorm.
(D) vandalism and vehicle impact.

11. The Statutory Conditions (common law provinces) include provisions that discuss

(A) amount of insurance required.
(B) insuring agreements.
(C) misrepresentation.
(D) renewal of policies.

12. The General Conditions (Quebec)

(A) apply only to fire insurance risks.
(B) are identical to Statutory Conditions in other provinces.
(C) include sections of the Civil Code that govern insurance policies.
(D) set down only the rights and responsibilities of the insured under the policy.

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13. **Insurance to value means**

(A) coverage not subject to a Coinsurance clause.
(B) coverage to 80% of the item's value.
(C) higher limits.
(D) insurance in the amount that the item is worth.

14. **The formula for calculating recovery for loss under a policy with a Coinsurance clause is**

(A) \( \frac{\text{Amount carried}}{\text{Amount required}} \times \text{Amount of loss} \)
(B) \( \frac{\text{Amount required}}{\text{Amount carried}} \times \text{Amount of loss} \)
(C) \( \text{Amount required} - \text{Amount carried} \times \text{Amount of loss} \)
(D) Amount required - Amount carried

15. **A hostile fire**

(A) burns in a place provided for it.
(B) is one that is intentionally kindled.
(C) occurs in a place where it should not be.
(D) (A) and (B)

16. **Damage suffered over time by a heating device and caused by continual exposure to flames and high temperatures is best described as**

(A) accidental.
(B) fortuitous.
(C) inevitable.
(D) unintentional.

17. **Which of the following is required by a Homeowners form for its coverage to apply?**

(A) A dwelling must contain no more than six occupancies.
(B) A dwelling must not be encumbered by a mortgage.
(C) The building must be insured for at least $100,000.
(D) The owner must live in the dwelling.

18. **The Homeowners Comprehensive Form**

(A) contains no exclusions.
(B) is an all risks policy.
(C) can only be used on new homes.
(D) provides all risks coverage on the building and named perils on the contents.

continued on next page
19. In general, all Homeowners forms:

(A) automatically provide all risks coverage on certain property.
(B) are rated on the amount insured on the building.
(C) do not provide coverage on garages that are completely detached.
(D) do not provide coverage on personal property away from the principal residence.

20. Under the Homeowners forms, the Additional Living Expense coverage:

(A) covers all expenses when an insured is forced to vacate his premises because of damage resulting from a fire.
(B) covers the termination of a lease.
(C) has no time limitations under any circumstances.
(D) does not reduce the limit under another coverage.

21. Under the Homeowners forms, the Personal Property Away from Premises extension of coverage includes property removed:

(A) permanently to another location that is not owned by the insured.
(B) permanently to another location that is owned by the insured.
(C) temporarily to another location that is not owned by the insured.
(D) temporarily to another location that is owned by the insured.

22. For people who live in rented premises, the Tenants Comprehensive Form:

(A) contains no provisions for paying for physical damage to the dwelling caused by burglary.
(B) covers against loss caused by named perils only.
(C) provides all risks coverage of contents but does not include building coverage.
(D) provides all risks coverage of contents but does not include liability coverage.

DIVISION II  ANSWER EITHER GROUP A OR GROUP B

GROUP A.  COMMON LAW PROVINCES

23. 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) in the care, custody, or control of 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 any person other than the insured, unless the insured’s interest is stated.
(D) owned by the insured, unless the insured’s interest is stated.

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24. Under Statutory Condition 3 (Change of Interest), which of the following requires consent from the insurer?

(A) Assignment under the Bankruptcy Act
(B) Change of title by death of the named insured
(C) Change of title by succession
(D) Sale of the property insured

25. Under Statutory Condition 8 (Who May Give Notice and Proof),

(A) a mortgagee may give notice or proof of loss only if the insured cannot or will not.
(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) only the named insured may give notice or proof of loss.

26. Under the Residential Basic Form, which of the following would be included as "insured" along with the named insured?

(A) The named insured's estranged husband, now separated from his wife
(B) The named insured's mother in the house next door
(C) The 19-year-old daughter of the named insured, still living at home
(D) The 25-year-old daughter of the named insured's best friend, temporarily boarding with her

27. Under the Residential Basic Form, dwelling building means

(A) the main dwelling building and any attached private structure.
(B) the main dwelling building and any detached private structure.
(C) the main dwelling building only.
(D) (A) and (B)

28. A building is insured under a Residential Basic Form for $160,000. Two detached private structures, a guest cottage and a garage, are collectively insured for $16,000. If the cottage and garage are worth $16,000 and $4,000 respectively, what amount of insurance is available for the cottage in the event of loss?

(A) $10,600
(B) $12,000
(C) $12,800
(D) $16,000

continued on next page
29. The Personal Property coverage of the Residential Basic Form applies not only to property owned by the named insured but also to:

(A) property owned by the insured's dependants, whether residing on the premises or not,
(B) property owned by the insured's relatives, whether residing on the premises or not,
(C) uninsured property of guests on the premises,
(D) uninsured property of roomers or boarders not related to an insured person.

30. Under the Residential Basic Form, the peril of Vandalism or Malicious Acts is excluded while the building is:

(A) vacant or under construction,
(B) vacant or unoccupied,
(C) vacant or unoccupied for more than 30 consecutive days,
(D) all of the above.

31. Which of the following is covered under the Residential Basic Form?

(A) A glass tabletop is broken when the light fixture above it falls down.
(B) Earthquake causes the insured house to collapse.
(C) While the insured is away overnight, the pipes freeze and burst, causing water damage.
(D) While the insured is out, a sudden rainstorm lets water in through windows left open and damages the furniture and rugs.

32. Buildings are covered only for named perils under

(A) the Homeowners Basic Form,
(B) the Homeowners Broad Form,
(C) the Homeowners Comprehensive Form,
(D) (A) and (B).

33. The peril of Glass Breakage is

(A) insured under the Basic Fire Policy,
(B) insured under both the Basic Fire Policy and the Residential Basic Form (RBF),
(C) not insured under the RBF but insured under the Homeowners Basic Form,
(D) none of the above.

34. Under the Homeowners Basic Form, the Special Limits of Insurance apply to which of the following but only when the loss results from Theft?

(A) Computer software
(B) items pertaining to a business
(C) Money
(D) Stamp collections
35. Specified Perils are found in
   (A) all three Homeowners forms.
   (B) both the Homeowners Basic and Broad forms.
   (C) both the Homeowners Basic and Comprehensive forms.
   (D) only the Homeowners Comprehensive Form.

36. Under the Residential Basic Form, which of the following is NOT subject to the Special Limits of Insurance?
   (A) Bicycles
   (B) Garden-type tractors
   (C) Watercraft
   (D) (B) and (C)

37. Under the Residential Basic Form, which of the following is NOT true of the Prohibition of Access optional coverage extension?
   (A) It extends coverage for up to 96 consecutive hours.
   (B) It applies only as the direct result of damage to neighbouring premises by an insured peril.
   (C) It applies only if access to the insured's premises has been denied by a civil authority.
   (D) It does not cover the insured's additional expense for a new lease.

38. Under the Residential Basic Form, in connection with which of the following insured perils is coverage excluded as soon as the building is under construction or vacant?
   (A) Falling Object
   (B) Impact by Vehicle
   (C) Riot
   (D) Vandalism or Malicious Acts

39. What is the effect of adding Personal Articles Insurance to a Homeowners Comprehensive Form?
   (A) It adds all risks coverage to the Homeowners form.
   (B) It enables the insured to schedule certain items and insure them for specified amounts.
   (C) It relieves the insured of the need to obtain appraisals.
   (D) It removes the limits from those items to which it applies.

40. Which of the following is NOT true of Personal Articles Insurance?
   (A) All risks coverage
   (B) Coverage restricted to Canada and the United States
   (C) Individual amounts of insurance on individual items
   (D) Loss settlement not subject to the Deductible clause

continued on next page
Answer Group B (Quebec) only if you have NOT answered Group A (Common Law Provinces).
If you have completed Group A, go directly to Question 2.

GROUP B. QUEBEC

41. Under General Condition 1.3 (Misrepresentation or concealment), any dishonest representation of relevant facts by the insured before the contract is made allows the insurer to void the contract

(A) at its option.
(B) only after a loss.
(C) only before a loss.
(D) only if the insurer can prove the insured's bad faith.

42. General Condition 2.2 (Changes) provides that the terms of this policy

(A) may be changed by any means to which both parties agree.
(B) may not be changed by the insurer with an endorsement.
(C) shall not be waived or changed except by endorsement.
(D) shall not be waived or changed without the insurer's consent.

43. Which of the following is NOT true of General Condition 4.5 (Time of payment)?

(A) Any outstanding premium may be deducted from the indemnity payable.
(B) Any outstanding premium must be paid before the indemnity becomes payable.
(C) The insured must have complied with all the terms of the contract.
(D) The insurer shall pay the indemnity within 60 days after receiving the notice of loss.

44. Under the Building and/or Contents Named Perils Form, which of the following would be included as "insured" along with the named insured?

(A) The named insured's estranged husband, now separated from his wife
(B) The named insured's mother in the house next door
(C) The 19-year-old daughter of the named insured, still living at home
(D) The 25-year-old daughter of the named insured's best friend, temporarily boarding with her

45. Under the Building and/or Contents Named Perils Form, dwelling building means

(A) the main dwelling building and any attached private structure.
(B) the main dwelling building and any detached private structure.
(C) the main dwelling building only.
(D) (A) and (B)
46. A building is insured under a Building and/or Contents Named Perils Form for $160,000. Two detached private structures, a guest cottage and a garage, are collectively insured for $16,000. If the cottage and garage are worth $16,000 and $4,000 respectively, what amount of insurance is available for the cottage in the event of loss?

(A) $10,600
(B) $12,000
(C) $12,800
(D) $16,000

47. The Personal Property coverage of the Building and/or Contents Named Perils Form applies not only to property owned by the named insured but also to:

(A) property owned by the insured's dependants, whether residing on the premises or not.
(B) property owned by the insured's relatives, whether residing on the premises or not.
(C) uninsured property of guests on the premises.
(D) uninsured property of roomers or boarders not related to an insured person.

48. Under the Building and/or Contents Named Perils Form, the peril of Vandalism is excluded while the building is

(A) vacant or under construction.
(B) vacant or unoccupied.
(C) vacant or unoccupied for more than 30 consecutive days.
(D) all of the above.

49. Which of the following is covered under the Building and/or Contents Named Perils Form?

(A) A glass tabletop is broken when the light fixture above it falls down.
(B) Earthquake causes the insured house to collapse.
(C) While the insured is away overnight, the pipes freeze and burst, causing water damage.
(D) While the insured is out, a sudden rainstorm lets water in through windows left open and damages the furniture and rugs.

50. Buildings are covered only for named perils under

(A) the Homeowners Standard Form.
(B) the Homeowners Broad Form.
(C) the Homeowners Comprehensive Form.
(D) (A) and (B)