Section A: Multiple-Choice Questions

Question 1. For the following multiple-choice questions, fill in the circle of the letter that identifies the most correct answer.

Example: ☐ ☐ ☐ ☐

Part 1 ALL STUDENTS

1. In the Common Law provinces and in Quebec, coverage under any fire policy must (A) equal or exceed a statutory maximum.
   (☐) equal or exceed a statutory minimum.
   (☐) not equal or exceed a statutory maximum.
   (☐) not equal or exceed a statutory minimum.
2. As a minimum, the Basic Fire Policy covers all of the following EXCEPT:

(A) Explosion
(B) Fire
(C) Lightning
(D) Windstorm

3. The Civil Code of Québec states that loss by lightning

(A) excludes any loss or damage to electrical devices or appliances caused by lightning.
(B) excludes loss by other electrical currents unless fire originates outside the article.
(C) is covered only if fire ensues from it.
(D) is loss by fire even if there is no fire.

4. Which of the following is true concerning insurance contracts?

(A) The elements of the insurance contract are embodied in the Basic Agreement.
(B) Their five essential elements are unique to insurance contracts.
(C) Their terms can be determined by one of the two parties.
(D) Their terms can be negotiated between willing parties for any purpose.

5. In the common law provinces, the Statutory Conditions

(A) apply to both oral and written fire insurance contracts.
(B) apply only if included with the fire policy.
(C) do not apply to property insurance contracts.
(D) All of the above

6. Statutory Condition 5, Termination: This Statutory Condition provides that, when an insurance policy is terminated by the insurer, the refund premium shall be the excess of premium paid over the

(A) pro rata premium for the expired time.
(B) pro rata premium for the expired time, subject to the insurer's minimum retained premium.
(C) short rate premium for the expired time, provided the insurer waives any minimum retained premium.
(D) short rate premium for the expired time, subject to the insurer's minimum retained premium.

7. Statutory Condition 9, Salvage: Under this Statutory Condition, the insured

(A) can abandon the damaged property to the insurer.
(B) must arrange for repair of the damaged property immediately.
(C) must take all reasonable steps to prevent further loss or damage to the property.
(D) is entitled to take possession of the damaged property.

8. Statutory Condition 13, Replacement: Under this Statutory Condition,

(A) an insured may elect to have damaged property repaired, rebuilt, or replaced.
(B) an insurer may elect to have damaged property repaired, rebuilt, or replaced.
(C) the insurer must give the insured 15 days notice in writing of its intent to repair, rebuild or replace.
(D) when the replacement option is chosen, there is unlimited time for completion of the work.
9. With respect to insurance contracts, the Civil Code of Québec

(A) does not require any of its articles to be included in a policy wording.
(B) does not require the insurer to send the insured a copy of the Code, except at the insured's request.
(C) requires a copy of the Code to be sent to the insured with the policy.
(D) requires insurance policies to include those articles of the Code that apply to policies.

10. Which of the following is true of the General Conditions in Quebec?

(A) An insured cannot sue his insurer.
(B) Fire resulting from a volcanic eruption is not covered.
(C) Materiality is not defined in the Conditions.
(D) The terms of the policy may be changed by the insurer at the insurer's discretion.

11. The subject matter of a fire insurance policy is property

(A) in the care, custody, and control of the insured.
(B) described in the policy, in which the insured has an interest.
(C) in which the insured has an interest.
(D) owned by the insured.

12. The Insurance Acts of the Common Law provinces require that where a policy contains a Deductible Clause, the insurer must

(A) identify the limitations on the applicable pages in the policy.
(B) state the limitations in a cover letter sent with the policy.
(C) include an endorsement with the policy using cautionary words prescribed in the Acts.
(D) stamp or print on the face of the policy the cautionary words limiting liability.

13. Insurance to value means

(A) coverage subject to a Stated Amount Clause.
(B) coverage to 80% of the item's value.
(C) higher limits of coverage reflecting the replacement value.
(D) insurance in the amount that the item is worth.

14. A typical Waiver of Coinsurance Clause nullifies the Coinsurance Clause for losses

(A) exceeding either 2% of the amount of insurance or $5,000.
(B) exceeding neither 2% of the amount of insurance nor $5,000.
(C) not exceeding 2% of the amount of insurance regardless of the amount of the loss.
(D) not exceeding $5,000 regardless of the amount of insurance.

15. If the owner of a building worth $200,000 buys $150,000 of insurance on a policy with a 90% Coinsurance Clause and a 2% Waiver of Coinsurance Clause, then suffers a loss of $12,000, his recovery under the policy will be approximately

(A) $ 9,600.
(B) $10,000.
(C) $10,800.
(D) $12,000.
16. The Mortgage Clause

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

17. A fortuitous loss

(A) results from a cause extraneous to the damaged object.
(B) returns the insured to the position he enjoyed before the loss.
(C) was bound to happen in any event.
(D) was deliberately caused by the insured.

18. The proximate cause of a loss may be defined as the

(A) indirect actions of third party which results in a direct loss.
(B) last event to take place causing a direct loss to occur.
(C) event that initiates the continuous chain of events leading to the loss.
(D) the remote cause of a loss, which is usually an excluded peril.

19. Additional perils (extended coverages), when included within a property policy,

(A) add insurance for personal property of tenants.
(B) broadens coverage to include property of every description.
(C) does not increase the amount of insurance coverage.
(D) remove certain exclusions from the policy.

20. Which of the following is NOT a factor in calculating the premium for the Property in Transit coverage?

(A) The distance that the property is being transported
(B) The insurer's limit of liability for property in transit
(C) The perils applying to property in transit
(D) The probable frequency of loss ascertained by the insurer

21. Multi-peril policies include coverage for

(A) flood.
(B) war.
(C) intentional damage, subject to the Deductible Clause.
(D) theft.

22. All of the following statements are true of all risks property policies EXCEPT:

(A) Anything that is not specifically excluded is covered.
(B) The extent of the coverage is determined by the exclusions.
(C) The coverage provided by the all risks policy is standard throughout the insurance industry.
(D) Insurance coverage, as qualified, is against all risks of direct loss or damage.
23. War is an example of which general category of exclusions usually found in all risks policies?

(A) Risks better covered by other insurance forms
(B) Risks that require additional underwriting
(C) Wear and tear losses
(D) Uninsurable losses

24. Article 3119 of the Civil Code of Québec provides that a policy will cover property in Québec according to the Civil Code if the

(A) insurer writes business only in Québec.
(B) policyholder applied in Québec for coverage or the insurer issued the policy in Québec.
(C) policyholder requests that the policy do so at the time of application.
(D) policyholder’s interest would be better served by the Code than by the corresponding Insurance Act.

25. Which of the following statements is true with respect to General Condition 3.1, Notice of Loss?

(A) The insurer may deny a claim that is reported late, regardless of the reason.
(B) The insured must notify the insurer promptly of any loss.
(C) The insured or his representative only can give notice of loss.
(D) All of the above

Part II Answer EITHER GROUP A OR GROUP B

GROUP A – COMMON LAW PROVINCES

A26. Statutory Condition 2, Property of Others: This Statutory Condition makes the insurer liable for loss or damage to property

(A) of others only when the insured is found to be negligent in a court of law.
(B) in which the insured has an interest in the property and that interest is stated in the insurance policy.
(C) of others, unless specifically excluded by the policy.
(D) that has recently been sold by the insured to another person.

A27. Statutory Condition 12, When Loss Payable: This Statutory Condition requires that, unless the contract provides for a shorter period, an insured loss is payable by the insurer within 60 days after the

(A) completion of the proof of loss.
(B) date of loss.
(C) notice of loss to the insurer.
(D) start of the insurer's investigation of the loss.
A28. Clear language forms were developed to

(A) allow smaller type sizes to be used in forms.
(B) make insurance policies shorter.
(C) make insurance policy wordings clearer to the people who buy insurance.
(D) resolve legal disputes over the language of "unclear" forms.

A29. Under the Residential Basic Form, the Dwelling Building coverage extend to all of the following EXCEPT:

(A) building fixtures and fittings removed temporarily for repairs.
(B) detached private structures on the premises.
(C) fair rental value.
(D) outdoor trees, shrubs, and plants.

A30. A building is insured under a Residential Basic Form for $90,000, and 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 cottage in the event of a loss?

(A) $4,500  
(B) $5,450  
(C) $6,750  
(D) $9,000

A31. Which of the following would qualify for any of the Homeowners forms?

(A) A building where the owner lives in the upstairs apartment and operates a small florist shop on the main floor.
(B) A duplex that the owner rents to two families.
(C) A triplex where the owner lives in one unit and rents the other two.
(D) All of the above

A32. In the Homeowners forms, the amount of insurance for Coverage A is usually

(A) the actual cash value of the dwelling.
(B) the market value of the dwelling.
(C) the replacement value of the dwelling.
(D) the value of the dwelling as determined by the latest property tax assessment.

A33. The Homeowners Comprehensive Form contains a number of extensions of coverage. Which of the following does NOT increase the amount of coverage?

(A) Arson conviction reward  
(B) Debris removal  
(C) Tear out  
(D) Lock replacement

A34. The inflation protection clause

(A) is usually added subject to an additional premium.
(B) is valuable in times of low inflation.
(C) automatically increases the amount of coverage at regular intervals.
(D) applies to the dwelling building and other detached structures only.
A35. The "cube of space" concept refers to the ownership of the four walls, floor, and ceiling of a

(A) condominium building.
(B) condominium unit.
(C) co-operative building.
(D) co-operative unit.

A36. With respect to the peril of Windstorm or Hail, fences are included in the coverage under

(A) the Basic Fire Policy.
(B) all homeowners forms.
(C) both the Residential Basic Form and all Homeowners forms.
(D) only the Homeowners Comprehensive Form.

A37. Under the Homeowners Comprehensive Form, which of the following is a Specified Peril?

(A) Building collapse
(B) Contamination by radioactive material
(C) Theft
(D) Smoke

A38. Under the Homeowners Comprehensive Form, the peril of Transportation provides coverage for

(A) loss of luggage while the insured is travelling.
(B) damage to insured property resulting from upset of the vehicle carrying the property.
(C) loss of property in a vacation or home trailer.
(D) loss of tickets while the insured is travelling.

A39. Emergency Removal Expense is an optional extension coverage unique to the

(A) Tenants Comprehensive Form.
(B) Condominium Basic Form.
(C) Mobile Homeowners Form.
(D) Residential Basic Form.

A40. Which of the following would be better served by some type of personal property insurance other than a Tenants Form?

(A) People who occupy dwellings as employees of the owner
(B) People who own businesses and live in commercial buildings owned by their businesses
(C) People who own dwellings and need insurance for their personal property and liability
(D) People who rent dwellings from landlords and need insurance for their personal property and liability
Answer Group B - QUEBEC only if you have NOT answered Group A – Common Law Provinces. If you have completed Group A, go directly to Section B: Narrative Questions.

GROUP B – QUEBEC

B41. The General Conditions do NOT deal with

(A) material change in risk.
(B) misrepresentation or concealment.
(C) premium.
(D) termination.

B42. General Condition 5.1, Property insurance: With respect to this General Condition, which of the following is a true statement?

(A) If there are two policies on the same property, an insured can collect from each one the total amount of the loss.
(B) If there are two policies on the same property, an insured can collect the total loss from one, subject to policy limits.
(C) It is illegal to have two policies on the same property.
(D) If there is specific insurance on the property, that insurance is considered secondary to other policies providing coverage to the property.

B43. General Condition 4.5, Time of payment: Under this General Condition, the insurer shall pay the indemnity

(A) provided the insured has paid the policy premium.
(B) within 60 days of receiving the notice of loss.
(C) within 65 days of receiving all relevant information and vouchers.
(D) within 60 days of the date of loss.

B44. Under General Condition 6, Cancellation, the policy may be terminated by

(A) the insured subject to 15 days written notice to the insurer.
(B) the insurer subject to immediate notice to the insured.
(C) the insurer at any time if the insured has been found guilty of misrepresentation.
(D) the insurer subject to 15 days written notice to each named insured at the insured’s last known address.

B45. Clear language forms were developed to

(A) allow smaller type sizes to be used in forms.
(B) make insurance policies shorter.
(C) make insurance policy wordings clearer to the people who buy insurance.
(D) resolve legal disputes over the language of "unclear" forms.

B46. Under the Building and/or Contents Named Perils Form, "dwelling building" includes

(A) patio covers.
(B) solarium.
(C) swimming pool.
(D) All of the above
B47. A building is insured under a Building and/or Contents Named Perils Form for $90,000, 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 cottage in the event of a loss?

(A) $4,500  
(B) $5,450  
(C) $6,750  
(D) $9,000

B48. Which of the following qualifies for any of the Homeowners forms?

(A) A building where the owner lives in the upstairs apartment and operates a small florist shop on the main floor.  
(B) A duplex that the owner rents to two families.  
(C) A triplex where the owner lives in one unit and rents the other two.  
(D) All of the above

B49. Under Coverage A of the Homeowners forms, most insurers require a limit of at least 80% of

(A) the actual cash value of the dwelling.  
(B) the market value of the dwelling.  
(C) the replacement value of the dwelling.  
(D) the value of the dwelling as determined by the latest property tax assessment.

B50. The Homeowners Comprehensive Form contains a number of extensions of coverage. Which of the following does NOT increase the amount of coverage?

(A) Arson conviction reward  
(B) Debris removal  
(C) Tear out  
(D) Lock replacement

B51. All of the following can be covered under Scheduled Personal Articles Insurance EXCEPT:

(A) Cameras  
(B) Watercraft  
(C) Jewellery  
(D) Firearms

B52. Under the Homeowners Comprehensive Form, which of the following is a Specified Peril?

(A) Building collapse  
(B) Contamination by radioactive material  
(C) Theft  
(D) Smoke

B53. Generally, mobile homes differ from conventionally built homes in that they

(A) are more durable than conventionally built homes.  
(B) are considered better risks because of their mobility.  
(C) have built-in equipment and furnishings.  
(D) All of the above
B54. Which of the following would be better served by some type of personal property insurance other than a Tenants Form?

(A) People who occupy dwellings as employees of the owner
(B) People who own businesses and live in commercial buildings owned by their businesses
(C) People who own dwellings and need insurance for their personal property and liability
(D) People who rent dwellings from landlords and need insurance for their personal property and liability

B55. The "cube of space" concept refers to the ownership of the four walls, floor, and ceiling of a

(A) condominium building.
(B) condominium unit.
(C) co-operative building.
(D) co-operative unit.

(2 marks each = 80 marks)

Section B: Narrative Questions

Question 2. Outline any FOUR (4) exclusions found in the Basic Fire Policy. Include in your answer whether or not any of these exclusions can be removed. (20 marks)

1) Electrical app. (can) 2) War (can) (not can) 3) Process of moth 4) Construction (welding/renov) 5) Prop w/ special limits 6) Radioactive cont. 7) Vacancy 8) Sub. substance

Question 3. With respect to the Homeowners forms, describe the coverage provided under the following. (Indicate if your answer refers to the common law provinces or Quebec.) (10 marks)

(a) Guaranteed Replacement Cost
(b) Change of Temperature
(c) Freezer Food

(4 marks)

(6 marks)

Question 4. (a) With respect to Condominium Unit Owners Forms:

(i) Explain the purpose of the Improvements and Betterments coverage. (10 marks)

(ii) Briefly explain the purpose of the Loss Assessment coverage. (5 marks)

(b) List FIVE (5) distinctive features of Personal Articles insurance that are common to all jurisdictions in Canada. (5 marks)
Question 5. ANSWER EITHER:

Common Law

(a) Describe in full the coverage provided for the following under the Residential Basic Form. Where appropriate, also describe what is NOT covered.

(i) Personal property away from the premises (5 marks)  
(ii) Additional living expenses (10 marks)

(b) Identify FIVE (5) types of property to which Special Limits of Insurance apply under the Residential Basic Form. (5 marks)

OR:

Quebec

Explain in full the nature of each of the following perils, and any exceptions, exclusions, or limitations that may apply to losses caused by such perils, under the Building and/or Contents Named Perils form.

(a) Water Damage (12 marks)  
(b) Burglary or Robbery (5 marks)  
(c) Glass Breakage (3 marks)

Question 6. (a) With respect to the Homeowners forms, discuss the coverage provided for Credit or Debit Cards, Forgery or Counterfeit Money. Indicate if your answer refers to the common law provinces or Quebec. (10 marks)

(b) Explain the use of the Rebuilding Clause in fire policies covering farms. (10 marks)
Section C: Application Question

Question 7. (a) One of the exclusions in the Basic Fire Policy states that loss or damage to goods undergoing a process involving the application of heat is excluded if it results from the process.

The Ajax Manufacturing Company carries a Basic Fire Policy. One day, a distracted employee, while soldering, sets a fire that damages goods being soldered as well as goods temporarily stored nearby.

(i) What goods would be covered, and why? (3 marks)
(ii) What goods would not be covered, and why not? (3 marks)
(iii) When would both types of goods be covered? (4 marks)

(b) State whether the following items are covered under the Dwelling Building coverage of a Residential Basic Form or a Building and/or Contents Named Perils form. Explain your answer.

(i) A small two-room structure built in the yard and linked with the main dwelling by a wooden fence
(ii) A wooden deck bolted to the house
(iii) An awning that covers part of the deck in the summer but that is now stored in a warehouse for the winter
(iv) A separate storage building on the premises
(v) Building materials to be used in renovating the house, delivered to the insured who dumped them on the vacant lot adjoining his property (2 marks each = 10 marks)

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