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 YOUR ANSWER BOOK.

Section 1. ALL STUDENTS

1. In both the common law provinces and Quebec, coverage under any fire insurance policy must

   (a) not equal or exceed a statutory minimum.
   (b) equal or exceed a statutory maximum.
   (c) not equal or exceed a statutory maximum.
   (d) equal or exceed a statutory minimum.

2. The Insurance Acts of the common law provinces describe the fire peril as

   (a) fire resulting from an explosion.
   (b) fire resulting from a cause other than an explosion.
   (c) fire that burns within its intended confines.
   (d) fire, whether resulting from an explosion or otherwise.

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

   (a) Their five essential elements are unique to insurance contracts.
   (b) The elements of the insurance contract are embodied in the Basic Agreement.
   (c) Their terms can be determined by one of the two parties.
   (d) They can be negotiated between willing parties for any purpose.

continued over
4. A direct loss is the
   (a) loss of economic value that occurs when property is damaged or destroyed.
   (b) loss of income that arises when property is damaged or destroyed.
   (c) economic loss that arises from the direct loss or damage to property.
   (d) loss of property that cannot be valued in economic terms.

5. Which of the following is part of a standard collection of additional perils that may be added to a fire policy?
   (a) Insurrection
   (b) Rebellion
   (c) Revolution
   (d) Riot

6. Which of the following statements about the Basic Fire Policy is most accurate?
   Loss to goods undergoing a process involving the application of heat
   (a) is excluded.
   (b) is excluded if it results from the process.
   (c) is excluded unless it occurs during the process.
   (d) is excluded unless it results from the process.

7. Insurance contracts in Quebec are governed by various articles in the parts of the Civil Code concerning insurance. The Code
   (a) requires insurance policies to include those articles of the Code that apply to policies.
   (b) requires a copy of the Code to be sent to the insured with the policy.
   (c) does not require any of its articles to be included in a policy wording.
   (d) does not require the insurer to send the insured a copy of the Code except at the insured’s request.

8. In a property insurance policy, the location of insured property is
   (a) a critical feature of property description.
   (b) incidental when there is only one location.
   (c) less important for movable than for immovable property.
   (d) not a concern where blanket coverage is provided.

9. If a policy contains a deductible clause or other limitation of liability, the Insurance Acts of the common law provinces require that the insurer
   (a) identify the limiting clause in a cover letter sent with the policy.
   (b) identify the limiting clause where it occurs in the policy.
   (c) stamp or print on the face of the policy cautionary words prescribed in the Acts.
   (d) include an endorsement with the policy using cautionary words prescribed in the Acts.
10. The Coinsurance clause in a fire insurance policy
   (a) penalizes the insured who chooses an inadequate amount of insurance.
   (b) identifies the insurers where the risk is shared among several of them.
   (c) applies to all losses.
   (d) encourages the insured to choose an amount of insurance that reflects his or her tolerance for risk.

11. The Waiver of Coinsurance
   (a) waives the Coinsurance clause at the insurer’s discretion.
   (b) waives the Coinsurance clause at the insured’s discretion.
   (c) waives the Coinsurance clause for losses of less than specified amounts.
   (d) waives insurance to value.

12. The Stated Amount Coinsurance clause
   (a) specifies the minimum amount of insurance as a percentage of value.
   (b) expires with the policy.
   (c) includes a more restrictive Waiver of Coinsurance than the standard Coinsurance clause.
   (d) specifies the minimum amount of insurance in dollars.

13. The main benefit of a Mortgage clause is that
   (a) it reduces moral hazard by showing that the insured building is properly financed.
   (b) it creates a separate contract between the insurer and the mortgagee.
   (c) it shows the lender that the financed building is covered by insurance.
   (d) the mortgagee will be notified by the insurer in the event of a loss.

14. 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) the result of willful or fraudulent action by the insured.
   (d) one that benefits the insured.

15. A hostile fire
   (a) is a fire that escapes its intended confines.
   (b) is an inevitable loss rather than a fortuitous one.
   (c) is excluded under a fire insurance contract.
   (d) results from the fraudulent action of the insured.
16. Under the Automatic reinstatement clause,
   (a) the original amount of insurance is restored at the insured’s request.
   (b) the insured typically pays a pro rata additional premium to restore
       the policy limit after a loss.
   (c) the amount of insurance is constant for the full policy period.
   (d) the insurer retains the full premium if the insured cancels the policy
       after a loss.

17. The Replacement Cost Endorsement usually includes one of the following
    conditions:
   (a) At least one other of several policies covering the same perils
       and interest must have the same replacement cost provisions.
   (b) Payment will be made for new material of like kind and quality.
   (c) Replacement may be made at the insured’s convenience.
   (d) Settlement will be made during repair, replacement or reconstruction.

18. Which of the following additional perils is usually NOT offered
    automatically on standard fire policies?
   (a) Earthquake
   (b) Impact by Aircraft, Spacecraft or Land Vehicle
   (c) Leakage from Fire Protective Equipment
   (d) Explosion

19. Which of the following types of loss is NOT excluded under the
    additional peril of impact by aircraft, spacecraft or land vehicle?
   (a) Loss caused by land vehicles belonging to the insured
   (b) Loss caused by aircraft or spacecraft being taxied inside or
       outside of buildings
   (c) Loss of or damage to aircraft, spacecraft or land vehicles themselves
   (d) Loss caused by articles dropped from aircraft or spacecraft

20. Which of the following is NOT true of all risks policies?
   (a) Anything that is not excluded is covered.
   (b) Insurance coverage, as qualified, is against all risks of direct
       loss or damage.
   (c) The extent of coverage is determined by the exclusions.
   (d) The exclusions limit coverage to that of a named perils form.

Section II. ANSWER EITHER GROUP A OR GROUP B.
GROUP A. COMMON LAW PROVINCES

A21. Statutory Condition 1, Misrepresentation, allows the insurer
     to avoid the contract if the insured
     (a) described the property falsely, to the detriment of the insurer.
     (b) misrepresented any circumstance about the risk.
     (c) omitted any circumstance about the risk.
     (d) all of the above
A22. 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

A23. Statutory Condition 4, Material Change, provides that any change material to the risk and within the insured’s control and knowledge

(a) allows the insurer, under prescribed conditions, to terminate the contract or charge additional premium.  
(b) may avoid the contract only as to the part affected.  
(c) must be promptly notified in writing to the insurer.  
(d) all of the above

A24. When loss of or damage to insured property occurs, Statutory Condition 6 requires the insured to

(a) promptly notify the insurer, orally or in writing.  
(b) notify the insurer as soon as an inventory of undamaged property has been completed.  
(c) notify the insurer if, after due deliberation, the insured decides to claim for the loss.  
(d) promptly give written notice to the insurer.

A25. 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 less formal.  
(d) resolve legal disputes over the language of unclear forms.

A26. Under the Residential Basic Form, who 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 25-year-old daughter of the named insured’s best friend, temporarily boarding with her  
(d) The 19-year-old daughter of the named insured still living at home

A27. The vacancy exclusion in the Residential Basic Form

(a) is the same as that in the Basic Fire Policy.  
(b) excludes unoccupancy as well as vacancy.  
(c) is based on a period of 60 days, rather than 30.  
(d) does not refer to unoccupancy.
A28. One of the following would qualify for a Homeowners policy. Someone who

(a) lives in a townhouse condominium that he or she owns.
(b) lives in a triplex and rents out two of the units.
(c) owns an eight-suite, two-storey apartment building.
(d) rents a bungalow in a good neighbourhood.

A29. Buildings are covered only for named perils under

(a) the Homeowners Comprehensive Form.
(b) the Homeowners Basic Form.
(c) the Homeowners Broad Form.
(d) (b) and (c)

A30. Contents are covered for all risks under

(a) the Homeowners Comprehensive Form.
(b) the Homeowners Basic Form.
(c) the Homeowners Broad Form.
(d) (a) and (c)

A31. In the Homeowners forms, the amount of insurance for Coverage A is usually the

(a) actual cash value of the dwelling.
(b) replacement value of the dwelling.
(c) market value of the dwelling.
(d) the greatest of (a), (b), and (c).

A32. The optional extensions of coverage under Coverage A, Dwelling Building, of the Homeowners forms include

(a) building fixtures and fittings.
(b) detached private structures.
(c) fair rental value.
(d) (a) and (b)

A33. There is limited coverage for outdoor trees, shrubs and plants under

(a) all Homeowners forms.
(b) the Homeowners Basic Form and the Residential Basic Form.
(c) the Residential Basic Form and all Homeowners forms.
(d) only the Homeowners Comprehensive Form.

A34. Under the Homeowners forms, a residence employee

(a) helps the insured in the maintenance or use of insured premises.
(b) is an employee of a business run by the insured from the residence.
(c) is an employee of the insured’s business who lives on the premises.
(d) is an insured who runs a business from the residence.

continued on next page
A35. Which of the following is NOT true of the Additional Living Expense coverage of the Homeowners forms?

(a) It is commonly for an amount equal to 20% of the amount under the Dwelling Building coverage and is in addition to that amount.
(b) It may be used to cover an increase in normal expense when access to the dwelling is prohibited by a civil authority.
(c) It may be used to pay for ordinary living expenses while the dwelling is being redecorated.
(d) It may be used to pay for the loss of rental income when the dwelling has been damaged by an insured peril and is being repaired.

A36. The Tenants and the Homeowners Comprehensive Forms differ in that a clause in Coverage C in the Tenants form extends coverage to

(a) uninsured personal property of others.
(b) personal property temporarily away from the premises.
(c) personal property of an insured student temporarily away from home.
(d) improvements and betterments.

A37. The agreed value of property insured on a valued basis is

(a) an amount of insurance that corresponds to the appraised value of insured property.
(b) generally used for property that tends to depreciate in value.
(c) the same as its actual cash value.
(d) the value of insured property agreed to after a loss.

A38. Which of the following is NOT true of condominiums or their owners?

(a) A condominium unit owner buys insurance for his or her share of the common elements.
(b) A condominium unit owner owns his or her cube of space.
(c) Condominium unit owners collectively make up the condominium corporation.
(d) Many condominiums are apartment buildings.

A39. Personal Articles Insurance

(a) covers on a named perils basis.
(b) applies anywhere in the world.
(c) is usually subject to a deductible.
(d) is usually written as a separate policy.
A40. Which of the following is generally NOT true of Outboard Motor and Boat policies?

(a) The most common coverage is for all risks without a deductible or with only a modest deductible.
(b) Descriptions of watercraft powered by inboard motors often include the power rating and maximum speed.
(c) Coverage applies anywhere in Canada and often also anywhere in the continental United States.
(d) Boats, outboard motors, and trailers are insured on a blanket basis.

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. General Condition 1.1, Representation of risk, requires that the client or insured represent to the insurer, to the best of his knowledge,

(a) all facts about the risk.
(b) all material facts about the risk except those the insurer knows or may be expected to know, unless the insurer asks for those, too.
(c) only material facts the insurer does know or may be expected to know.
(d) only those material facts about the risk requested by the insurer.

B42. General Condition 1.2, Material change in risk, provides that any material change in risk that results from events within the insured's control

(a) allows the insurer to cancel the contract from the date of change.
(b) must be promptly notified to the insurer.
(c) requires the insurer, on being notified, to propose a new premium.
(d) all of the above.

B43. Under General Condition 2.1, Insurable interest,

(a) a loss is recoverable if the insurable interest in lost property existed at the time of loss.
(b) a person has an insurable interest in property to which loss or deterioration may cause him direct and immediate damage.
(c) for the insured to recover for a loss, the insurable interest must have existed for the length of the contract.
(d) (a) and (b)
B44. In the event of a loss, General Condition 3.6, Safeguarding and examination of property, requires the insured to

(a) estimate the value of damaged property before removing it for safekeeping.
(b) help expedite the insurer’s investigation by repairing damaged property before notifying the insurer.
(c) relinquish damaged property to the insurer.
(d) take all reasonable steps to prevent further loss or damage to the insured property.

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 less formal.
(d) resolve legal disputes over the language of unclear forms.

B46. Under the Building and/or Contents forms, who 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 25-year-old daughter of the named insured’s best friend, temporarily boarding with her.
(d) The 19-year-old daughter of the named insured still living at home.

B47. The vacancy exclusion in the Building and/or Contents forms

(a) is the same as that in the Basic Fire Policy.
(b) excludes unoccupancy as well as vacancy.
(c) is based on a period of 60 days, rather than 30.
(d) does not refer to unoccupancy.

B48. One of the following would qualify for a Homeowners policy. Someone who

(a) lives in a townhouse condominium that he or she owns.
(b) lives in a triplex and rents out two of the units.
(c) owns an eight-suite, two-storey apartment building.
(d) rents a bungalow in a good neighbourhood.
B49. Buildings are covered only for named perils under

(a) the Homeowners Comprehensive Form.
(b) the Homeowners Standard Form.
(c) the Homeowners Broad Form.
(d) (b) and (c)

B50. Contents are covered for all risks under

(a) the Homeowners Comprehensive Form.
(b) the Homeowners Standard Form.
(c) the Homeowners Broad Form.
(d) (a) and (c)

B51. Under Coverage A of the Homeowners forms, most insurers require a limit of at least 80% of the

(a) actual cash value of the dwelling.
(b) replacement value of the dwelling.
(c) market value of the dwelling.
(d) the greatest of (a), (b), and (c).

B52. The additional coverage under Coverage A, Dwelling Building, of the Homeowners Standard Form includes

(a) building fixtures and fittings.
(b) detached private structures.
(c) fair rental value.
(d) (a) and (b)

B53. There is limited coverage for outdoor trees, shrubs and plants under

(a) all Homeowners forms.
(b) the Homeowners Standard Form and the Building and/or Contents Form.
(c) the Building and/or Contents Form and all Homeowners forms.
(d) only the Homeowners Comprehensive Form.

B54. Under the Homeowners forms, a residence employee

(a) helps the insured in the maintenance or use of insured premises.
(b) is an employee of a business run by the insured from the residence.
(c) is an employee of the insured's business who lives on the premises.
(d) is an insured who runs a business from the residence.
B55. Which of the following is NOT true of the Additional Living Expense coverage of the Homeowners forms?

(a) It is commonly for an amount equal to 20% of the amount under the Dwelling Building coverage and is in addition to that amount.
(b) It may be used to cover an increase in normal expense when access to the dwelling is prohibited by a civil authority.
(c) It may be used to pay for ordinary living expenses while the dwelling is being redecorated.
(d) It may be used to pay for the loss of rental income when the dwelling has been damaged by an insured peril and is being repaired.

B56. The Tenants and the Homeowners Standard Forms differ in that a clause in Coverage C in the Tenants form extends coverage to

(a) uninsured personal property of others.
(b) personal property temporarily away from the premises.
(c) personal property of an insured student temporarily away from home.
(d) improvements and betterments.

B57. The agreed value of property insured on a valued basis is

(a) an amount of insurance that corresponds to the appraised value of insured property.
(b) generally used for property that tends to depreciate in value.
(c) the same as its actual cash value.
(d) the value of insured property agreed to after a loss.

B58. Which of the following is NOT true of condominiums or their owners?

(a) A condominium unit owner buys insurance for his or her share of the common elements.
(b) A condominium unit owner owns his or her cube of space.
(c) Condominium unit owners collectively make up the condominium syndicate.
(d) Many condominiums are apartment buildings.

B59. The Scheduled Personal Articles Floater

(a) covers on a named perils basis.
(b) applies anywhere in the world.
(c) is usually subject to a deductible.
(d) is usually written as a separate policy.
B60. Which of the following is generally NOT true of Outboard Motor and Boat policies?

(a) The most common coverage is for all risks without a deductible or with only a modest deductible.
(b) Descriptions of watercraft powered by inboard motors often include the power rating and maximum speed.
(c) Coverage applies anywhere in Canada and often also anywhere in the continental United States.
(d) Boats, outboard motors, and trailers are insured on a blanket basis.

(2 marks each = 80 marks)

ALL STUDENTS

Question 2. Describe each of the following exclusions found in the Basic Fire Policy.

(a) Loss to property for which specific types of insurance have evolved
(b) Loss to a building or its contents while work is being done on the building
(c) Loss occurring while the building is vacant or unoccupied
(d) Loss while excessive flammable liquids are being stored or used on the premises
(e) Loss arising from the enforcement of by-laws

(4 marks each = 20 marks)

Question 3. ANSWER EITHER A OR B.

Describe the general provisions of FOUR (4) of the following Statutory or General Conditions:

A. COMMON LAW PROVINCES

(a) Statutory Condition I — Misrepresentation
(b) Statutory Condition 3 — Change of Interest
(c) Statutory Condition 4 — Material Change
(d) Statutory Condition 6 — Requirements After Loss
(e) Statutory Condition 7 — Fraud

(5 marks each = 20 marks)

OR B. QUEBEC

(a) General Condition 1.2 — Material change in risk
(b) General Condition 1.3 — Misrepresentations or concealment
(c) General Condition 2.3 — Assignment
(d) General Condition 4.2 — Pair and set
(e) General Condition 4.4 — Replacement

(5 marks each = 20 marks)
Question 4.  
(a) Describe the provisions of a Coinsurance clause. In your answer, give the formula used in adjusting a loss to which coinsurance might apply. (6 marks)

(b) Explain how a Waiver of Coinsurance operates and identify the limitations that you would find in a typical clause. (4 marks)

(c) Maurice has a fire insurance policy for his retail store that is subject to a Coinsurance clause (80%) and a Waiver of Coinsurance clause (2% or $5,000). The stock is valued at $80,000 and insured in the amount of $60,000. A fire occurs, after which the undamaged stock is valued at $20,000. How much will the insurer pay? Show your calculations. (10 marks)

Question 5. Many of the additional perils included in fire policies have certain unique restrictions. Describe the following perils and the exclusions or limitations that would apply to each:

(a) Explosion (5 marks)
(b) Impact by Aircraft, Spacecraft or Land Vehicle (5 marks)
(c) Riot (5 marks)
(d) Windstorm (5 marks)

Question 6. You are an insurance broker. You have clients with a Homeowners Basic or Standard Form. They are retired and plan to spend the winter in Florida. They have previously never been away from home for so long. Answer the following questions for them.

Note: Please specify whether your answer applies to Quebec or to the common law provinces.

(a) How will this absence affect the coverage under their policy? To what extent? What should we do about it? (4 marks)

(b) What coverage do they have on the personal effects they have with them in the condominium they are renting in Florida? (3 marks)

(c) What coverage do they have on the jewellery they are taking with them? (3 marks)
Question 7. An insured’s property is covered on a Residential Basic Form or a Building and/or Contents Form in the amount of $300,000. The property includes three detached private structures valued at $10,000, $20,000 and $45,000 respectively. How much will the insurer pay

(a) if the most valuable detached structure is totally destroyed? Show your calculations. (5 marks)

(b) if all three detached structures are totally destroyed? (Indicate how much for each structure.) Show your calculations. (5 marks)

Question 8. Describe the coverage provided by TWO (2) of the following. Mention the property and territory covered. Give an outline of the perils insured against and any special provisions or limitations. State whether your answer applies to Quebec or the common law provinces.

(a) Personal Articles Insurance (Scheduled Personal Articles Insurance in Quebec)
(b) Television and Antenna Endorsement (Personal Computer Insurance in Quebec)
(c) Outboard Motor and Boat Insurance

(10 marks each = 20 marks)