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.

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

Section I. ALL STUDENTS

1. Which of the following is true of the Statutory Conditions in the common law provinces?
   (a) They must be printed in every fire insurance policy, although not necessarily in exactly the same words as set out in the Insurance Acts.
   (b) They must be printed in every fire insurance policy exactly as set out in the Insurance Acts.
   (c) They are binding on the insurer but not on the insured.
   (d) (b) and (c)

2. 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.
3. Under the Basic Fire Policy, a fire loss will be excluded if the fire
   (a) occurred as a result of a civil disturbance.
   (b) occurred during a war.
   (c) originated in a neighbouring property.
   (d) was started intentionally by someone other than the insured.

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. With respect to the Statutory Conditions in the common law provinces, the insurer
   and the insured may negotiate changes or omissions,
   (a) although any change affecting the insured adversely cannot be disputed later.
   (b) provided the insured is not affected adversely.
   (c) provided the insurer is not affected adversely.
   (d) thereby making any disputed policy no longer subject to the original
       Conditions.

6. Which of the following is true of the Statutory Conditions in the common law
   provinces?
   (a) They apply only to written fire insurance contracts.
   (b) They govern only the peril of fire although they have been extended by most
       insurers to also apply to lightning and explosion.
   (c) They are binding on both the insurer and the insured.
   (d) (b) and (c)

7. Insurers in Quebec are not required to print conditions reflecting the provisions of the
   Civil Code. Which of the following is NOT true of policy conditions in Quebec
   insurance contracts?
   (a) They may reflect all of the provisions of the Code governing property insurance.
   (b) They may reflect some of the provisions of the Code governing property
       insurance.
   (c) Additional conditions developed by individual insurers may be printed in the policy
       but will have no legal effect.
   (d) Additional conditions must be printed in the policy in order to have legal effect.

8. A typical Waiver of Coinsurance 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.

continued on next page
9. If the owner of a building worth $300,000 buys $200,000 of insurance on a policy with an 80% coinsurance clause and a 2% coinsurance waiver, then suffers a loss of $8,000, his recovery under the policy (rounded to the nearest $100) will be

(a) $5,300
(b) $6,700
(c) $7,400
(d) $8,000

10. The Mortgage clause

(a) creates rights and obligations for both the mortgagee and the insured.
(b) creates a separate contract between the insurer and the mortgagee.
(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.

11. Which of the following is NOT true regarding loss payees?

(a) A loss payee may not be denied indemnity for its interest on the basis of misrepresentation on the insured's part.
(b) If the insurer fails to give notice as required, the protection afforded the loss payee remains effective.
(c) The insurer may not terminate or alter a policy to the detriment of a loss payee without written notice to the payee.
(d) The length and manner of giving notice to a loss payee are the same as for the insured.

12. Which of the following is NOT true of the provisions of the Replacement Cost endorsement?

(a) Replacement must be made promptly.
(b) Replacement must be with materials of similar kind and quality.
(c) Settlement will be limited to the actual cost of the work.
(d) Periodic payments will be made as the work progresses.

13. In order to recover under an all risks policy, the insured need NOT prove that

(a) the loss or damage is covered by the policy.
(b) the loss or damage was fortuitous.
(c) the property lost or damaged was insured property.
(d) (a) and (b)
Section II. ANSWER EITHER GROUP A OR GROUP B.

GROUP A. ALL PROVINCES OTHER THAN QUEBEC

A14. Statutory Condition 5, Termination, provides that, when an insurance policy is terminated by the insured, the return premium shall be

(a) the excess of premium paid over the pro rata premium for the expired time.
(b) the excess of premium paid over the pro rata premium for the expired time, subject to the insurer’s minimum retained premium.
(c) the excess of premium paid over the short rate premium for the expired time, subject to the insurer’s minimum retained premium.
(d) the excess of premium paid over the short rate premium for the expired time, provided the insurer waives any minimum retained premium.

A15. Statutory Condition 11, Appraisal, addresses disagreement as to

(a) the amount of the loss.
(b) the value of the property insured.
(c) the value of the property saved.
(d) all of the above

A16. Under Statutory Condition 13, Replacement, the insurer may replace or repair the lost or damaged property if, after receiving proof of loss, the insurer

(a) gives written notice of its intention to do so within 45 days.
(b) gives written notice of its intention to do so within 60 days.
(c) commences to replace or repair within 45 days.
(d) commences to replace or repair within 60 days.

A17. 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.

A18. Under the Residential Basic Form, the definition of “dwelling building” does NOT extend to

(a) building fixtures and fittings.
(b) detached private structures.
(c) fences and gates.
(d) outdoor swimming pools.
A19. A building is insured under a Residential Basic Form for $120,000 and two detached private structures, a guest cottage and a garage, are collectively insured for $12,000. If the cottage and garage are worth $12,000 and $6,000 respectively, what amount of insurance is available for the cottage in the event of loss?

(a) $4,000  
(b) $6,000  
(c) $8,000  
(d) $12,000

A20. Under the Special Limits of the Residential Basic Form, which of the following will be covered only while on the insured premises?

(a) Business property (such as books and tools)  
(b) Computer software  
(c) Garden-type tractors (including attachments and accessories)  
(d) Spare automobile parts

A21. Which of the following is NOT named under the Basic Fire Policy but is specifically mentioned as an insured peril under the Residential Basic Form?

(a) Explosion  
(b) Falling Object  
(c) Fire or Lightning  
(d) Impact by Aircraft or Land Vehicle  
(e) (b) and (d)

A22. With respect to the peril of Falling Object,

(a) the coverage applies to Dwelling Building but not to Personal Property.  
(b) the coverage applies to Personal Property but not to Dwelling Building.  
(c) the falling object must first damage the exterior of the building for coverage to apply.  
(d) the falling object must first strike the exterior of the building for coverage to apply.

A23. Under the Residential Basic Form, the Vandalism or Malicious Acts peril 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

A24. Under the Water Damage peril of the Residential Basic Form, the sudden and accidental escape of water from a

(a) domestic appliance inside the dwelling is excluded.  
(b) plumbing system inside the dwelling is excluded.  
(c) domestic appliance outside the dwelling is covered if caused by freezing.  
(d) domestic appliance outside the dwelling is covered unless caused by freezing.
A25. The peril of Riot is

(a) insured under the Basic Fire Policy.
(b) not insured under the Residential Basic Form.
(c) not insured under the Basic Fire Policy but insured under the Residential Basic Form.
(d) not insured under either the Basic Fire Policy or the Residential Basic Form.
(e) none of the above

A26. 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.
(c) not insured under the Basic Fire Policy but insured under the Residential Basic Form.
(d) not insured under the Residential Basic Form but insured under the Homeowners Basic Form.
(e) none of the above

A27. The Homeowners forms cover personal property

(a) temporarily away from the insured’s premises, anywhere in the world.
(b) of roomers and boarders, if they are not related to the insured.
(c) normally kept at another location that is owned by the insured.
(d) (a) and (c)

A28. Under the Homeowners forms, the Personal Property Away from Premises extension applies anywhere in

(a) Canada.
(b) Canada and the United States.
(c) Canada, the United States, and Mexico.
(d) the world.

A29. Under the Homeowners forms, which of the following are considered motorized vehicles and therefore NOT covered under Personal Property?

(a) Lawn mowers
(b) Snow blowers
(c) Snowmobiles
(d) Watercraft

A30. Lawns are excluded from coverage under

(a) the Basic Fire Policy but not the Residential Basic Form.
(b) both the Basic Fire Policy and the Residential Basic Form but not the Homeowners forms.
(c) all Homeowners forms.
(d) all Homeowners forms except the Comprehensive Form.
A31. Under the Homeowners Comprehensive Form, the Special Limits of Insurance apply to such articles as jewellery and fur garments if the cause of loss was

(a) Fire or Explosion.
(b) one of the Specified Perils.
(c) Theft.
(d) Vandalism or Malicious Acts.

A32. The Homeowners forms commit the insurer to settling at replacement cost all losses involving

(a) articles that are inherently irreplaceable.
(b) property that is no longer used for its original purpose.
(c) property that has not been maintained in good or workable condition.
(d) none of the above

A33. Which of the following perils is covered under both the Residential Basic Form and the Homeowners forms?

(a) Glass Breakage
(b) Impact by Aircraft or Land Vehicle
(c) Theft
(d) Transportation

A34. Under the Homeowners forms, which of the following perils will be excluded if a loss occurs while the building is under construction or vacant?

(a) Falling Object
(b) Glass Breakage
(c) Impact by Aircraft or Land Vehicle
(d) Riot

A35. Specified Perils are found in

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

A36. Which of the following is NOT true of the Tenants forms?

(a) Improvements and betterments are excluded.
(b) Lawns are excluded.
(c) Outdoor trees and shrubs are excluded.
(d) The Tear Out clause is not available.

A37. Which of the following is NOT true of condominium corporations?

(a) Condominium buyers acquire clear and full ownership of individual units within the building.
(b) Condominium owners collectively make up the corporation.
(c) Individual units are insured by their respective owners and the common elements are insured jointly by all unit owners.
(d) Provincial legislation requires the corporation to arrange insurance for the entire building (including individual units).
A38. There is limited coverage for outdoor trees, shrubs and plants under the

(a) Residential Basic Policy and Homeowners forms.
(b) Tenants and Condominium forms.
(c) Tenants and Homeowners forms.
(d) Condominium and Homeowners forms.

A39. Personal Articles Insurance is intended to insure

(a) items attractive to thieves or susceptible to being misplaced.
(b) items that are not likely to be misplaced.
(c) large high-value personal items.
(d) small low-value personal items.

A40. Coverage under Personal Articles Insurance

(a) applies only in Canada and the United States.
(b) is against named perils only.
(c) is not subject to any deductible.
(d) is subject to the same deductible as the policy as a whole.

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 1.4, Warranties, any increase in risk from a breach of warranty

(a) results in additional premium payable by the insured within 15 days after notification.
(b) results in additional premium payable by the insured within 45 days after notification.
(c) terminates the policy automatically.
(d) suspends the coverage until accepted by the insurer.

B42. 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.

B43. Under General Condition 6, Cancellation, the policy may be cancelled by

(a) the insured subject to 15 days notice.
(b) the insurer subject to 15 days notice.
(c) the insurer at any time if the insured has been guilty of misrepresentation or non-disclosure.
(d) (a) and (b)
B44. The Personal Property coverage of the Building and/or Contents forms 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.

B45. Under the Building and/or Contents forms, the definition of "dwelling building" does NOT extend to
(a) building fixtures and fittings.
(b) detached private structures.
(c) fences and gates.
(d) outdoor swimming pools.

B46. A building is insured under a Building and/or Contents Named Perils Form for $120,000 and two detached private structures, a guest cottage and a garage, are collectively insured for $12,000. If the cottage and garage are worth $12,000 and $6,000 respectively, what amount of insurance is available for the cottage in the event of loss?
(a) $4,000
(b) $6,000
(c) $8,000
(d) $12,000

B47. Under the Building and/or Contents forms, which of the following will be covered only while on the insured premises?
(a) Books and tools pertaining to a business
(b) Garden-type tractors
(c) Watercraft
(d) None of the above

B48. Which of the following is NOT named under the Basic Fire Policy but is specifically mentioned as an insured peril under the Building and/or Contents forms?
(a) Explosion
(b) Falling Object
(c) Fire or Lightning
(d) Impact by Aircraft or Land Vehicle
(e) (b) and (d)

B49. With respect to the peril of Falling Object,
(a) the coverage applies to Dwelling Building but not to Personal property.
(b) the coverage applies to Personal Property but not to Dwelling Building.
(c) the falling object must first damage the exterior of the building for coverage to apply.
(d) the falling object must first strike the exterior of the building for coverage to apply.
B50. Under the Building and/or Contents forms, the Vandalism peril 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

B51. Under the Water Damage peril of the Building and/or Contents forms, the sudden and accidental escape of water from a

(a) domestic appliance inside the dwelling is excluded.
(b) plumbing system inside the dwelling is excluded.
(c) domestic appliance outside the dwelling is covered if caused by freezing.
(d) domestic appliance outside the dwelling is covered unless caused by freezing.

B52. The peril of Riot is

(a) insured under the Basic Fire Policy.
(b) not insured under the Building and/or Contents forms (BCF).
(c) not insured under the Basic Fire Policy but insured under the BCF.
(d) not insured under either the Basic Fire Policy or the BCF.
(e) none of the above

B53. The peril of Glass Breakage is

(a) insured under the Basic Fire Policy.
(b) insured under both the Basic Fire Policy and the Building and/or Contents forms (BCF).
(c) not insured under the Basic Fire Policy but may be insured under the BCF.
(d) not insured under the BCF but insured under the Homeowners Standard Form.
(e) none of the above

B54. The Homeowners forms cover personal property

(a) temporarily away from the insured’s premises, anywhere in the world.
(b) of roomers and boarders, if they are not related to the insured.
(c) normally kept at another location that is owned by the insured.
(d) (a) and (c)

B55. Under the Homeowners forms, the Personal Property Away from Premises extension applies anywhere in

(a) Canada.
(b) Canada and the United States.
(c) Canada, the United States, and Mexico.
(d) the world.
B56. Under the Homeowners forms, which of the following are considered motorized vehicles and therefore NOT covered under Personal Property?

(a) Camper units  
(b) Motorized lawn mowers  
(c) Motorized wheelchairs  
(d) Remote-control caddies

B57. Lawns are excluded from coverage under

(a) the Basic Fire Policy but not the Building and/or Contents forms.  
(b) both the Basic Fire Policy and the Building and/or Contents forms but not the Homeowners forms.  
(c) all Homeowners forms.  
(d) all Homeowners forms except the Comprehensive Form.

B58. Under the Homeowners Comprehensive Form, the Special Limits of Insurance apply to such articles as jewellery and fur garments if the cause of loss was

(a) Fire or Explosion.  
(b) one of the Specified Perils.  
(c) Theft.  
(d) Vandalism.

B59. The Homeowners forms commit the insurer to settling at replacement cost all losses involving

(a) articles that are inherently irreplaceable.  
(b) property that is no longer useable for its original purpose.  
(c) property that has been replaced at any time.  
(d) none of the above

B60. Which of the following perils is covered under both the Building and/or Contents forms and the Homeowners forms?

(a) Glass Breakage  
(b) Impact by Aircraft or Land Vehicle  
(c) Theft  
(d) Transportation

B61. Under the Homeowners forms, which of the following perils will be excluded if a loss occurs while the building is under construction or vacant?

(a) Falling Object  
(b) Glass Breakage  
(c) Impact by Aircraft or Land Vehicle  
(d) Riot
B62. Specified Perils are found in

(a) all three Homeowners forms.
(b) both the Homeowners Standard and Broad forms.
(c) both the Homeowners Broad and Comprehensive forms.
(d) only the Homeowners Comprehensive Form.

B63. Which of the following is NOT true of the Tenants forms?

(a) Improvements and betterments are excluded.
(b) Lawns are excluded.
(c) Outdoor trees and shrubs are excluded.
(d) The Tear Out clause is not available.

B64. Which of the following is NOT true of condominium syndicates?

(a) Condominium buyers acquire clear and full ownership of individual units within the building.
(b) Condominium owners collectively make up the syndicate.
(c) Individual units are insured by their respective owners and the common elements are insured jointly by all unit owners.
(d) Provincial legislation requires the syndicate to arrange insurance for the entire building (including individual units).

B65. There is limited coverage for outdoor trees, shrubs and plants under the

(a) Building and/or Contents forms and Homeowners forms.
(b) Tenants and Condominium forms.
(c) Tenants and Homeowners forms.
(d) Condominium and Homeowners forms.

B66. Scheduled Personal Articles Insurance is intended to insure

(a) items attractive to thieves or susceptible to being misplaced.
(b) items that are not likely to be misplaced.
(c) large high-value personal items.
(d) small low-value personal items.

B67. Coverage under Scheduled Personal Articles Insurance

(a) applies only in Canada and the United States.
(b) is against named perils only.
(c) is commonly subject to a deductible.
(d) does not apply to collections of items.
ALL STUDENTS

Question 2.  (a) For an insured loss, a fire insurance policy will pay the least of THREE (3) amounts. Identify these amounts and explain how the principle of indemnity is satisfied by these criteria. (6 marks)

(b) Under the Basic Fire policy, there is an exclusion for events generally considered uninsurable. What are these events? Which ONE (1) of them is part of a standard collection of additional perils that may be added to a fire policy? (12 marks)

(c) Briefly outline the provisions of the standard extensions of coverage for the removal of debris. (2 marks)

Question 3.  ANSWER EITHER A OR B.

A.  ALL PROVINCES AND TERRITORIES other than Quebec

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

(a) Statutory Condition 1—Misrepresentation
(b) Statutory Condition 4—Material Change
(c) Statutory Condition 6—Requirements after loss
(d) Statutory Condition 9—Salvage
(e) Statutory Condition 13—Replacement (5 marks each = 20 marks)

OR

B.  QUEBEC

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

(a) General Condition 1.1—Representation of risks
(b) General Condition 1.2—Material Change of risk
(c) General Condition 4.1—Basis of settlement
(d) General Condition 4.4—Replacement
(e) General Condition 5.1—Property insurance (5 marks each = 20 marks)

Question 4.  (a) What is a “deductible” and why is it used by insurers? (5 marks)
(b) Describe THREE (3) common applications of deductibles. (9 marks)
(c) Identify THREE (3) limitations of liability for which the Insurance Acts of the common law provinces require cautionary words on the Face of the policy. (6 marks)
Question 5.  
(a) To what kind of loss do insurance contracts respond? 
State the THREE (3) elements of such a loss.  

(b) Contrast a friendly fire with a hostile fire. Give an example of each.  

(c) Summarize the explosion coverage provided under the Basic Fire policy 
and explain the effect of adding Explosion as an additional peril.  

(d) Replacement Cost coverage is not at all uncommon, but it is usually 
subject to certain conditions. Identify FIVE (5) of these conditions.  

Question 6.  
Condominiums are now a very common form of home ownership. 
A personal lines practitioner needs to understand this form of ownership 
and the insurance needs of condominium owners.  

(a) What does a condominium buyer actually acquire?  

(b) Describe the composition, purpose, registration, and operation of a 
condominium corporation or syndicate. What are its responsibilities 
regarding insurance?  

(c) Fully describe the purpose and function of the Loss Assessment coverage 
in the Condominium Unit Owners policies.  

Question 7.  
Describe the following extensions of coverage that are available under Homeowners 
forms in the common law provinces or under the 
Homeowners Standard Form (IBC 1501) in Quebec.  

(a) Personal property being moved to another home  
(b) Freezer food  
(c) Change of temperature  
(d) Credit or debit cards, forgery and counterfeit money.  

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