

This exam is a paper copy, with the intent of preparing you for AIC paper exam. It is a good idea to create an answer key for yourself.

## Level 1 – Practice Exam #1

1. Insurance is BEST described by which of the following?
  - a.  A method of distributing all losses among many people
  - b.  A method of spreading the losses of a few among the many contributors
  - c.  A method of rewarding the wise policy holders for foresight in purchasing the coverage
  - d.  A method of ensuring large, wealthy companies bear the majority of the loss and the Insured only pays the deductible
  
2. Your insured has a Basic home policy and auto policy insuring Section A, Section B, Section C, Collision and Comprehensive. They drive into their own home. How will their policies respond?
  - a.  Damage to the house, Coverage A of the home policy; damage to the auto, Section C Subsection 2 of the auto policy
  - b.  Damage to the house, Coverage A of the home policy; damage to the auto Section C Subsection 3 of the auto policy
  - c.  Damage to the house, Section A of the auto policy; damage to the auto Section C Subsection 3 of the auto policy
  - d.  Damage to the house, Section A of the auto policy; damage to the auto Section C Subsection 2 of the auto policy
  
3. Our client carries Section A, Section B, Section C, subsections 2 (collision) and 3 (comprehensive) on their SUV. On the snow vehicle, they carry Section A, Section B, Section C, Specified Perils only.

While ice fishing, they hear the ice cracking and in an effort to get away, they put the snow vehicle back on the trailer but forget to attach the tie-down straps. The ice cracks as the SUV and trailer pull away, but the snow vehicle slides off the trailer and into the ice. There is no damage to the trailer or to the SUV. How will the policy you sold on the snow vehicle respond?

  - a.  Covered under Subsection 2 of Section C - Collision
  - b.  Covered under Subsection 3 of Section C - Comprehensive
  - c.  Covered under Subsection 4 of Section C – Specified Perils
  - d.  No Coverage
  
4. Which of the following statements is true?
  - a.  Stock companies are owned by the shareholders.
  - b.  Government Insurers have more freedom under the Insurance Act than private companies operating in the same province.
  - c.  The main function of mutual insurance companies is to make money
  - d.  All of the above
  - e.  None of the above

5. All of the following, except one, have a bona fide "insurable interest" in the property insured. Choose the exception.
- a.  The contract purchaser
  - b.  An individual expecting to be a creditor or any property holder
  - c.  The title holder
  - d.  The mortgagee
6. An agent issued a fire policy on the Insured's house but collected only half the premium with the balance promised 30 days later. The Insured's house was destroyed 90 days later and the agent had still not received the other half of the premium. Which of the following is TRUE?
- a.  The policy was void and the Insured received only part of the premium he had paid
  - b.  The Insured was paid as much of the insurance limit in proportion to the premium he had paid
  - c.  The Insured's claim was paid out up the policy limits stated on the policy
  - d.  No claim is recoverable by the Insured under the rules of The Insurance Act
7. Bankruptcy or insolvency of a policy holder affects the Insurer's liability as described in one of the following:
- a.  Has no bearing upon the insurance contract
  - b.  Required that any unearned premium be considered fully earned to termination of the policy term
  - c.  Automatically voids the contract
  - d.  Requires that the amount of any prepaid premium be refunded
8. Which of the following statements is correct in connection with the 80% Co-Insurance Clause?
- a.  It restricts the insurance payable to less than 80% of the actual cash value of the property
  - b.  The Insured can collect only 80% of any loss
  - c.  If the amount of insurance is less than 80% of the value of the property, payment may be less than the actual loss
  - d.  The amount of insurance carried must, by law, be not less than 80% of the value of the property
9. To obtain a Level 3 license in the Province of Alberta, you must:
- a.  Not less than a Grade 12 education and a list of 100 prospects
  - b.  At least five years' experience as a sales agent
  - c.  Been licensed with Level 2 license for at least 24 months of the preceding 48 months
  - d.  Been licensed with Level 2 license for at least 24 months of the preceding 36 months
10. The Insurance Act specifies that an applicant must:
- a.  Pass a criminal record check
  - b.  Have a good business reputation
  - c.  Have a reasonable knowledge of the kinds of insurance he/she will be licensed to sell
  - d.  All of the above

11. An insurance agent:
- a.  May be a corporation
  - b.  May bind and countersign policies
  - c.  May be a partnership
  - d.  All of the above
  - e.  None of the above
12. Which of the following employees of an insurance agency is NOT required to be licensed?
- a.  An office manager who communicates with an Insured about renewals
  - b.  An office employee who sells to his friend and relatives only, because of their unique position in his life
  - c.  An office clerk assisting in claims reports and compiling of claims information
  - d.  An office manager who also solicits new insurance principally on the telephone
13. Which of the following is a situation that is common cause of E & O claims?
- a.  Recommending the incorrect limits of insurance
  - b.  Failure to send amendments to the insured
  - c.  Failure to place coverage after being instructed to do so
  - d.  All of the above
14. Before an Insurer or client can recover from the broker:
- a.  The broker must have E & O insurance
  - b.  The broker must have made an error or omission causing loss to either the client or company
  - c.  The broker must be a limited company
  - d.  Only the manager can be negligent
15. A cover note or binder letter is interim proof of insurance. Which of the following is not found on a cover note?
- a.  Policy number, premium, location insured
  - b.  Inception and expiration dates, named insured, mortgagee
  - c.  Policy Term, mortgagee, limits of insurance
  - d.  Name insured, mortgagee, location insured
16. A broker's binding power are conveyed though:
- a.  The Insurance Act
  - b.  Their License
  - c.  Their agency contracts with their individual companies
  - d.  The facet of her being entrusted with policy supplies

17. The Subrogation Clause of the Insurance Act:

- a.  Gives the Insurer the right to require the Insured to assign to the Insurer all rights of recovery against any party liable for the loss to the extent that the Insurer has made payment of assumes liability
- b.  Provides that other policies covering the same loss shall contribute in their pro rata proportion
- c.  Permits the Insurer to take salvage if the claim has been paid in full
- d.  Permits the Insured to take salvage if the claim has been paid in full

18. In the absence of the Broker, a licensed employee may do one of the following:

- a.  Complete an application and confirm to the applicant that the risk is covered
- b.  Do all acts normally performed by the broker awaiting supervision and review by Level 2 Broker
- c.  Complete an application
- d.  Answer phones, invoice and submit policy to Underwriting

19. Misrepresentation is a very serious charge in the insurance business, and means:

- a.  Failure to explain the method used in computing the premium rate
- b.  Requiring the Insured to divulge all pertinent facts in the sale of coverage
- c.  Letting the Insured believe he has coverage for hazards which he doesn't actually have
- d.  Comparing coverage of existing and proposed policies

20. As a condition requirement of a loan of sum of money, a creditor may NOT impose one the following:

- a.  That the original policies of insurance be remitted to him
- b.  That insurance be obtained to protect the property offered as security
- c.  That the kind and amount of insurance be acceptable to him
- d.  That insurance be placed through a particular agent or a particular company

21. All applicants for insurance licenses must be "sponsored". A "sponsor's" duty is to:

- a.  Vouch for the applicant's general character
- b.  Train the applicant, recommend the applicant to the department and forward the fee
- c.  Contribute to the cost of setting the applicant up in business
- d.  Conduct the agency licensing examination

22. Farmer Joe lets his daughter drive his farm truck into town. This truck has liability coverage and a \$250 deductible on both collision and comprehensive. She is 15 years old and does not have a driver's license, but he lets her because she has been driving on the farm since she was 12. One day, while going into town she crashes into another vehicle, causing \$3,000 damage to the third party vehicle and \$1,500 to Farmer Joe's truck. How will his insurance policy respond?

- a.  There is no coverage
- b.  They would pay \$3,000
- c.  They would pay \$4,500
- d.  They would pay \$1,500

23. A “meeting of the minds” between Insured and Insurer means:

- a.  The broker has advised exactly what coverages and limits the client intends to purchase
- b.  The broker has gotten them to agree on the amount to be insured and the perils to be insured against, but they are still arguing about the amount of premium required
- c.  The Insured and Insurer are each aware of all of the aspects of the contract to be entered into and are in agreement
- d.  Formal agenda notes are taken to document the meeting for E & O purposes

24. Under a policy of insurance, a deductible is:

- a.  Payable by the Insured if the Insured is responsible for the loss
- b.  Payable by the Insured in case of disagreement on liability
- c.  Payable by the Insured in all situations where the peril has an application deductible
- d.  All of the above

25. An insurance contract indemnifies the Insured against loss arising out of the happening of a specific event. Which of the following is CORRECT?

- a.  The event must be a future event and it must be accidental
- b.  The event may happen with the co-operation of the Insured
- c.  The event may happen with the intent of the Insured
- d.  All of the above

26. “Indemnity” means:

- a.  Returning the premium to the insured
- b.  Restoring the Insured to the same financial position as he was in immediately prior to the loss
- c.  Paying the Insured out to the same financial state that he was in at the inception date of the policy
- d.  Restoring the Insured to the same financial position as he was in at the inception date of the policy

27. The insurance policy states it will pay the least of three amounts in the event of a claim. One factor which does NOT enter into this calculation is:

- a.  The actual cash value of the property
- b.  The original cost of the property
- c.  The Insured’s interest in the property
- d.  The policy limit

28. “Insurable Interest” means:

- a.  Interest gained on money on deposit in a bank
- b.  A future financial interest one has in something of value, for example a vehicle or a home
- c.  Personal interest that someone has in expectation of an inheritance
- d.  Financial interest a person has in something of value, for example a vehicle

29. The major function of insurance is to:

- a.  Reduce the cost of losses
- b.  Spread the losses of the few among the many
- c.  Safeguard mortgagee investments
- d.  Serve as the basis of existing credit system

30. With respect to federally licensed insurance companies, the Office of Superintendent of Financial Institutions:

- a.  Controls the types of policies issued
- b.  Regulates the financial stability of federally licensed insurers
- c.  Stipulates the types of agents who may represent the company
- d.  Only supervises life insurance companies

31. A “peril” is best defined as:

- a.  The chance of a loss
- b.  The occurrence of a loss
- c.  An occurrence that causes a loss to occur
- d.  A known event that causes a loss to occur

32. A “physical hazard” is:

- a.  A type of peril
- b.  The same as a moral hazard
- c.  A physical feature of a risk which may give rise to a loss
- d.  The possibility of a loss due to the character of the Insured

33. Your insured leaves his car unlocked, does not wear a seatbelt when driving, speeds excessively, leaves his house unlocked and has uninsured snowmobiles and quads. Although there is no legal requirement to do any of these, which method of risk management has he chosen?

- a.  Transfer of risk
- b.  Retention of risk
- c.  Controlling of risk
- d.  Experiencing a risk

34. Insurance coverage, under the terms of a policy of “fire” insurance, expires at:

- a.  12:01 am Standard Time at the address of the unnamed Insured
- b.  12:01am Standard Time at the location of the property Insured
- c.  Twelve months after the broker binds coverage
- d.  The time an underwriter reviews the details of the risk to be insured

35. In addition to the five elements to be contained in all contracts, an insurance contract is enforceable only if it contains the following three additional elements:
- a.  Insurable interest, indemnity, utmost good faith
  - b.  Insurable interest, consideration, indemnity
  - c.  Insurable interest, utmost good faith, lawful object
  - d.  Insurable interest, indemnity, genuine intention
36. If your client does NOT advise the Insurer of the previous losses when required to do so, the client has violated an essential principle of insurance contracts. The principle is known as:
- a.  Legality of object
  - b.  Utmost good faith
  - c.  Insurable interest
  - d.  Indemnity
37. Your insured has a Condominium Owners policy. The condominium board has suffered a loss of \$150,000 in one of the common areas, which was not completely covered by their policy. The loss has been assessed at \$2,000 per unit owner. Your insured is adequately covered, but only 75% of other owners are covered. How will the Condominium Unit Owner's policy respond?
- a.  \$112,500
  - b.  \$2,000, less the \$500 deductible
  - c.  75% of \$2,000 because only 75% of the unit owners are covered
  - d.  \$15,000
38. To "bind a risk" means:
- a.  Having authority from the Insurer to put insurance in force
  - b.  Finding a company willing to give a quote on a risk
  - c.  Getting underwriting information from a client
  - d.  Automatically renewing an existing policy
39. Mark which statement is TRUE. Under the Standard Policy Form (S.P.F. No 1) Section C:
- a.  The combination of collision and comprehensive are broader than All Perils
  - b.  The combination of collision and comprehensive provides exactly the same coverage as All Perils
  - c.  All Perils coverage includes two "theft" perils that comprehensive and Specified Perils do not
  - d.  Theft is not covered under All Perils

40. Section C of S.P.F. No 1 is divided into four subsections. Mark the statement that is FALSE.
- a.  Comprehensive covers all risks subject to exclusions
  - b.  Specified perils covers named perils only
  - c.  All Perils covers all risks subject to exclusions
  - d.  Collision is defined as hitting the surface of the ground and anything therein or thereon the ground
  - e.  All of the above
  - f.  None of the above
41. Under Subsection 2, of the Accident Benefits section of the S.P.F. No 1, Death Benefits will be paid in the event that both the dead of household and spouse are killed:
- a.  To the oldest surviving dependent relative
  - b.  To the youngest surviving dependent relative
  - c.  Equally to all surviving dependent relatives
  - d.  None of the above
42. Under the Deductible Clause applicable to Sections C of S.P.F. #1, some losses are not subject to a deductible. Under any circumstance, under which situation will the insurer not apply a deductible?
- a.  Fire, lightning, theft
  - b.  Fire, theft of the entire vehicle, windstorm
  - c.  Fire, theft of the entire vehicle, lightning
  - d.  Fire, lightning, certain types of explosion
43. Under Section B, Subsection 2 of the S.P.F. No 1, the head of the household is:
- a.  The oldest person residing in the house
  - b.  The person earning the highest salary at the time of the accident
  - c.  The person with the largest income in the year proceeding the date of the accident
  - d.  The oldest male member of the household
44. Under the General Provisions, Definitions and Exclusions section of the S.P.F. No 1, a newly acquired Vehicle is automatically covered by the insurers contract, subject to provisions that the insured is already insured with the insurer, and has all vehicles insured there for:
- a.  30 days from the acquisition date of the newly acquired vehicle
  - b.  15 days from the acquisition date of the newly acquired vehicle
  - c.  14 days from the date on the bill of sale
  - d.  14 days from the delivery date of the newly acquired vehicle



45. Under Statutory Condition 8, Termination, an automobile contract may NOT be cancelled by?
- a.  The broker
  - b.  The lien holder
  - c.  The third party
  - d.  All of the above
  - e.  None of the above
46. According to the General Provisions of an S.P.F. No1, the policy would NOT apply:
- a.  On a ferry between Vancouver and Seattle
  - b.  In Alaska, New York State, and while driving in California
  - c.  In Mexico, on a one way ferry trip between Canada and England
  - d.  In Yukon Territories, on a one way ferry trip between Vancouver and Hawaii
47. The Additional Agreements in Section C of the S.P.F. No1 waives subrogation under Section C against every person, who with the Insured's consent has care, custody, or control of the vehicle:
- a.  Except if involved in a race or speed test
  - b.  Without restriction
  - c.  As long as they are a member of the Insured's family
  - d.  None of the above
48. Under S.P.F. No 1, damage to an automobile occurring within 24 hours after a bill of sale transferring ownership of the Insured automobile to another person is:
- a.  Covered if damage due to collision
  - b.  Not covered for any loss
  - c.  Covered for loss by theft
  - d.  Covered for loss if All Perils is carried on the Insured's policy
49. The S.P.F. No 1 carries a provision to pay for expenses of legal defence, but these payments are:
- a.  Covered-in excess of policy limits as a Supplementary Payment
  - b.  Optional-at extra cost
  - c.  Subject to policy limits and use up the limits of Third Party Liability
  - d.  Paid only if policy holder wins court case

50. An insured suffers a loss to their property in the amount of \$10,000 based on replacement cost of the property. The Insured's actual value of the property on the date of purchase four years ago was \$6,000. Depreciation has been agreed at 25%. Coverage carried under the policy is actual cash value. The principle of indemnity is the basis of any insurance contract and therefore the insurer will:
- a.  Place the Insured in the same position prior to the loss and pay \$6,000
  - b.  Place the Insured in the same position prior to the loss and pay \$10,000
  - c.  Place the Insured in the same position prior to the loss and pay \$7,500
  - d.  Place the Insured in the same position prior to the loss and pay \$5,500
51. Under a Standard Automobile Application form, which of the following statements by an Insured could void loss payment under Section C?
- a.  Incorrect particulars regarding previous driving suspensions
  - b.  Non-disclosure of additional drivers
  - c.  Non-disclosure of license suspensions
  - d.  All of the above
52. A temporary motor vehicle liability insurance card is valid for:
- a.  21 days
  - b.  30 days
  - c.  15 days
  - d.  7 days
53. Johnny rents his basement of his home to his mother, who does in fact pay rent. There is a fire in the household which results in a loss to both Johnny's property and his mother's contents. Whose policy will respond?
- a.  Johnny's policy will respond to both upstairs and rented basement suite as his mother (relative) is the occupant
  - b.  Johnny's policy will respond to his premises only
  - c.  Johnny's mother will require a tenant policy for coverage
  - d.  Johnny's mother's policy will respond to both
54. Under Alberta's Highway Traffic Act, the owner of an automobile is required to carry which of the following coverage?
- a.  Third Party Liability (Section A) only
  - b.  Third Party Liability (Section A) and Accident Benefits (Section B)
  - c.  Third Party Liability (Section A) and Accident Benefits (Section B) and Sections C
  - d.  Third Party Liability (Section A) and Accident Benefits (Section B) plus SEF 44
55. A man buys a vehicle for his wife to drive to work daily. She will be the principal driver. How do you write this policy?
- a.  Write policy in both names and rate it for him as the driver
  - b.  Write policy in his name only
  - c.  Write policy in her name only
  - d.  Write policy in his name and rate it for her as the main driver

56. Under Section A of the standard auto policy, which of the following is NOT an exclusion?
- a.  Liability imposed by any workers compensation law
  - b.  Liability arising from contamination of property carried in the automobile
  - c.  Liability arising from the expenses incurred during an investigation
  - d.  Liability for injury to an employee engaged in operation or repair of the automobile
57. Under Section A of an S.P.F. No 1, the Insured agrees to do the following:
- a.  Appoint an adjuster for the Insured
  - b.  Admit liability for any damage done by the Insured
  - c.  Appoint the Insurer as its irrevocable attorney
  - d.  All of the above
58. The Insured is prohibited from driving or operating an automobile in all of the following circumstances except one. Choose the exception.
- a.  While Insured's license to drive or operate an automobile is suspended
  - b.  Unless Insured is either authorized by law or qualified to drive
  - c.  While under the age of 16 or other age at which a license may be issued to the Insured
  - d.  For the transporting of clients or customers proposing to do business with the Insured
59. An employer may be held legally responsible for damages caused by an employee who uses his own vehicle in commission of the employer's business. The employer can effect coverage against this eventuality by purchasing:
- a.  An S.P.F. No 1-Owner's Form
  - b.  An S.P.F. No 2-Driver's Policy
  - c.  An S.P.F. No 6-Non-owners Automobile Policy
  - d.  A "Business Use" endorsement which is attached to the employee's automobile insurance policy
60. The application for automobile insurance forms part of the policy. By law in Alberta, therefore, it is necessary:
- a.  To answer all questions from 1-14 "NO" and submit to the company
  - b.  To answer only the questions the Insured can remember
  - c.  To bring to the company's attention any answers that, because of personal knowledge, you may feel the Insured is not answering correctly
  - d.  None of the above

61. Ordinarily, negligence must be established before payment will be made under:
- a.  Bodily Injury Liability
  - b.  Medical Payments
  - c.  Immediate Medical Aid
  - d.  All of the above
62. The Driver's Policy S.P.F. No 2 is specifically designed for:
- a.  Owner of a business who provides vehicles for the use by salesmen and technicians visiting clients
  - b.  Driver who does not own the car and will drive vehicles not owned or not licensed in his/her name
  - c.  Passenger in vehicle being driven by another driver
  - d.  Pedestrians
63. The Garage Policy S.P.F. No 4 is:
- a.  An owner's policy form
  - b.  Designed for anyone in the automobile business
  - c.  Can include legal liability for collision damage for customer's autos
  - d.  All of the above
64. In the event of a claim under a property policy, loss is payable by the Insurer within \_\_\_\_\_ after a proof of loss has been filed with the Insurer.
- a.  45 days
  - b.  60 days
  - c.  90 days
  - d.  5 days, personally delivered
65. Mr. Brown owns a building and insures it against loss by fire with loss payable to ABC Trust Company as mortgagee. The property burns and before he files proof of loss, Mr. Brown dies without a will and with no one to look after his affairs. Who CAN file proof of loss?
- a.  ABC Trust Company
  - b.  The Superintendent of Insurance
  - c.  The previous owner
  - d.  The Insured's broker
66. Which of the following subjects are NOT mentioned in the Statutory Conditions of a property policy?
- a.  Change of Interest
  - b.  Fraud
  - c.  Inception date
  - d.  Termination of insurance

67. An Insured purchases a lot for \$22,000 and builds a home on it that costs him \$97,500. For insurance purposes, to insure for 100% of value, the policy would be for the sum of:
- a.  \$97,500
  - b.  \$119,500
  - c.  \$22,000
  - d.  \$100,000
68. The Homeowner's Policy does NOT insure loss or damage to:
- a.  Building occupied for dwelling purposes
  - b.  Property of roomers or boarders not related to the Insured
  - c.  Outdoor swimming pool and equipment attached thereto on the premises
  - d.  Glass constituting part a building insured
69. Under a Standard Homeowner's Policy, which of the following would be covered?
- a.  Damage to plumbing systems caused by rust or corrosion
  - b.  Damage which occurs when building is vacant
  - c.  Backing up or escape of water from the sewer, sump pump or septic tank
  - d.  Damage caused by freezing to plumbing systems under certain circumstances
70. Actual Cash Value (ACV) is the cost of replacing property, less any depreciation. Insurers expand their definition of ACV to a fair assessment at the time of loss depending upon which factors?
- a.  The property's physical condition
  - b.  The property's resale value
  - c.  The property's obsolescence
  - d.  All of the above
71. Under the extension of coverage of a Standard Homeowner's Policy, Debris Removal is covered up to:
- a.  10% of the policy limit
  - b.  5% of the policy limit
  - c.  No limit
  - d.  Limit stated in the policy
72. Under windstorm and hail coverage of a Standard Homeowner's Policy, which of the following would be covered?
- a.  Water damage to the interior due to leaky windows
  - b.  Damage to a television antenna on the roof which blew away
  - c.  Damage to a row boat in the driveway of the Insured's residence up to certain limits
  - d.  None of the above

73. Under a Standard Homeowner's policy in the amount of \$100,000, if an insured owns two detached outbuildings valued at \$500 each the Insured will receive in the event of a total loss to both: (Do not consider deductible)
- a.  \$ 500 under Coverage A – Dwelling Building
  - b.  \$ 1000 under Coverage B – Detached Private Structures
  - d.  \$10,000 under Coverage B – Detached Private Structures
  - e.  \$1,000 under Coverage A- Dwelling Building
74. Under Coverage A – Dwelling Building of the Standard Homeowner's Policy, which of the following is TRUE?
- a.  Outdoor swimming pools are not covered
  - b.  An attached garage is not covered
  - c.  Plate glass windows are not covered
  - d.  All of the above are incorrect
75. Which of the following is FALSE with respect to a Homeowner's Policy?
- a.  Vandalism is automatically included in all situations
  - b.  Vandalism is not covered when the dwelling is under construction
  - c.  Vandalism is not automatically included under a summer dwelling insured on the policy
  - d.  Vandalism is not covered when the dwelling is vacant over 30 days
76. Which of the following is NOT generally contained in the Basic Homeowner's Policy wording?
- a.  Type of loss insured
  - b.  Premium to be charged
  - c.  Automatic extensions of Coverage
  - d.  Exclusions
77. The majority of Insurers offer replacement cost coverage as an option on a Homeowner's Policy with respect to contents. With this option called Optional Loss Settlement, claims are paid on the basis of:
- a.  The price paid by the Insured for the article, less depreciation
  - b.  The price paid by the Insured for the article, with no depreciation deducted
  - c.  The price of the article on today's market, less depreciation for age
  - d.  The price of the article on today's market, with no depreciation deducted

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78. Under a Standard Homeowner's Policy, which of the following would NOT be covered under Smoke Damage?
- a.  Due to sudden and faulty operation of a furnace
  - b.  Due to sudden and faulty operation of cooking range
  - c.  Due to smoke from fireplace use
  - d.  Sudden and accidental smoke from neighboring premises
79. Under Standard Homeowner's Policy, which of the following would be covered?
- a.  Damage to insured building by vehicle driven by Insured
  - b.  Damage to insured building by vehicle driven by Insured's spouse
  - c.  Damage to insured building by vehicle driven by unknown driver
  - d.  None of the above would be covered
80. Under the Definitions section of a homeowners form, "data problem" is defined as:
- a.  Ability to receive data
  - b.  Ability to transmit data
  - c.  Erasure, destruction or misinterpretation of data
  - d.  All of the above
81. Which of the following statements is true with respect to a Tenant's Comprehensive Package Policy?
- a.  Would cover damage tenant did to premises if tenant was not negligent
  - b.  Would cover damage caused by fire if tenant was negligent
  - c.  Would cover damage from Insured's dog gnawing at the door
  - d.  Would cover all of the above
82. Penny McFlurry lost her job but is expecting to re-hired in 2 or 3 months. Meanwhile she'll use her van to deliver flowers 3 hours a week for a local florist. She asks you what she'll need to do with her vehicle insurance to make sure she's covered.
- a.  No action is necessary as her SPF #1 covers business activities
  - b.  Modify her existing SPF #1 to provide for occasional business use
  - c.  Amend the existing SPF #1 to a commercially rated SPF #1 until the insured informs us the use has changed
  - d.  Added a business use endorsement to her existing policy
83. The Optional Loss Settlement Clause which provides replacement cost (new for old without depreciation) on the contents in a Habitational Package Policy form affording coverage on Section 1- Coverage A, B, C, D plus Section II - Liability coverages of E, F, G and H:
- a.  Is available provided additional premium is paid for the option
  - b.  Is applicable to both building and contents
  - c.  Is available only if co-insurance clause is attached to the policy
  - d.  Refers only to Coverage C – Personal Property / Contents

84. The Homeowner's Policy excludes coverage against freezing of plumbing systems during the normal heating season but only if inhabitants were absent for:
- a.  More than 96 hours ( More than 4 days)
  - b.  96 hours or more ( 4 days or more )
  - c.  More than 48 hours ( More than 2 days )
  - d.  48 hours or more ( 2 days or more )
85. Under the Extension of Coverage section of the Homeowner's Comprehensive Policy form, Trees and Shrubs, which of the following is true?
- a.  10 % of coverage A but limited to \$ 500 per tree, etc., with named perils coverage
  - b.  10% of coverage A but limited to \$250 per tree, etc., with perils coverage
  - c.  5% of coverage A but limited to \$500 per tree, etc., with all perils coverage
  - d.  5% of coverage A but limited to \$500 per tree, etc., with named perils coverage
86. Under a Personal Article Floater, it is NOT permissible to insure the following:
- a.  Plate glass window, siding, doors, sliding glass doors
  - b.  Movie camera and camera equipment
  - c.  Silverware, furs, bicycles
  - d.  Computer software, jewelry
87. Which of the following statements is FALSE with respect to the Personal Effects Floater?
- a.  This is the ideal insurance for tourists and travelers
  - b.  This coverage provides coverage on contents temporarily removed worldwide
  - c.  This policy covers artificial teeth or limbs
  - d.  This policy does not cover money while the Insured is travelling
88. Stamp and coin collections are best insured by?
- a.  Homeowners package policy (Comprehensive Form)
  - b.  Fine Arts Floater
  - c.  Personal Articles Floater
  - d.  Homeowners package policy (Basic Form)
89. Under Coverage E – Comprehensive Personal Liability (CPL) portion of property policy, the Insurer's liability is limited to:
- a.  The limit stated in the declarations plus any interest and costs
  - b.  The limit stated in the declaration plus any interest charges imposed
  - c.  The limit stated in the declaration
  - d.  The limit stated in the declaration plus inflation increase



90. Statutory conditions are found in all policies covering the peril of fire and:
- a.  Impose obligations on both the insured and the insurer
  - b.  Impose obligations only on the Insured
  - c.  Are only applicable in Canadian insurance policies
  - d.  Cover property of a third party negligently damaged by the Insured
91. The following would be considered “business property” and therefore excluded under the Habitational Package policy:
- a.  Occasional rental of Insured’s residence
  - b.  Rental space of insured’s residence for incidental school occupancy
  - c.  Rental of 4 car spaces
  - d.  All of the above
92. Which of the following would be covered under the extension of coverage for Freezer Foods:
- a.  Expenses incurred to store freezer foods in cold storage unit while freezer is being repaired
  - b.  Food spoilage when the insured’s child pulls power cord from the wall, unobserved
  - c.  Food spoilage when the breaker is tripped, disrupting the power supply
  - d.  Damage to the freezer due to insured food spoilage, up to the limit of insurance on Coverage C
93. If a 6-year old deliberately threw a rock through the neighbour’s window:
- a.  The policy would pay all or part of the loss under Voluntary Property Damage
  - b.  If no policy was in force, the parents would have to pay for the window
  - c.  Would not pay for the window as the child is too young to understand the consequences of his actions
  - d.  There is no coverage under the contract
94. Fido bit the mailman who suffered grievous injury. The Insured(‘s):
- a.  Would not be found negligent if this is the first time Fido has shown any vicious nature
  - b.  Policy would only pay for any legal expenses if the Insured was found not negligent
  - c.  Policy would pay compensatory damages and legal expenses if the mailman chose to sue the Insured
  - d.  Would only pay for the mailman’s medical expenses under the Voluntary medical section of CPL
95. Your client, Bill West purchased a farm. You advise Bill that he requires farm insurance which will cover his dwelling and contents in the farm house, plus the rest of his farm. You recommend an endorsement be added to cover his farm machinery and equipment. This endorsement provides:
- a.  Coverage for scheduled equipment only
  - b.  Coverage subject to 100% coinsurance
  - c.  All Risk coverage
  - d.  All of the above

96. Under Coverage E – Liability of our insured’s policy, damage caused by owned watercraft is not included if it is:
- a.  Equipped with an outboard motor in excess of 20 HP
  - b.  Equipped with an inboard motor of 25 HP
  - c.  20 feet in length
  - d.  All of the above
97. Generally, the insuring agreement in policies of liability insurance contain all of the following conditions of coverage except one. Choose the exception:
- a.  Bodily injury or property damage must have been suffered by a third party
  - b.  The amount of any damages awarded will be included separate amount for punitive, exemplary and compensatory damages suffered
  - c.  The amount of any damages awarded are restricted to those that are compensatory in nature
  - d.  The Insured must have been legally liable for damages
98. Under Coverage E – Liability, Comprehensive Personal Liability, the Insured is covered for claims arising out of:
- a.  Renting his home to others who he demands have tenants insurance
  - b.  Employment as a sales representative
  - c.  Temporary or part-time pursuits of an Insured persons under age 21
  - d.  All of the above
99. Insurable interest exists when:
- a.  Individuals and mortgagees would suffer financially by a loss
  - b.  Bailees have been entrusted for safekeeping or repair of items
  - c.  A person may be held legally liable for their actions
  - d.  All of the above
100. A form that changes the terms of an insurance contract is called:
- a.  Rider
  - b.  Floater
  - c.  Agreement
  - d.  Endorsement
101. Our insured has an auto policy containing an SEF 20 endorsement. Under this endorsement, following theft of the entire vehicle, coverage for alternate means of transportation under the Loss of Use endorsement commences:
- a.  72 hours
  - b.  72 hours after report to the police or insurer
  - c.  The day after the report of the theft to the police or to the insurer
  - d.  The SEF 20 does not provide coverage for theft because the policy does

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102. Which of the following is not an exclusion to a travel insurance policy?
- a.  Participation in professional sports
  - b.  Pregnancy, miscarriage, or childbirth, within 8 weeks of the expected due date, or in the case of a high-risk pregnancy
  - c.  Pregnancy, miscarriage, or childbirth, within 16 weeks of the expected due date, or in the case of a high-risk pregnancy
  - d.  Suicide, or any attempt thereat
103. Bailees for hire have a potential for loss to a customer's property while it is in their possession. The extent of their liability may be a matter of:
- a.  Tort law; Contract law
  - b.  Common law; Substantive law
  - c.  Civil law; Criminal law
  - d.  Common law
104. This means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.
- a.  Occurrence
  - b.  Accident
  - c.  Obsolescence
  - d.  Collision
105. Liability insurers place a number of obligations on insured's in the event of an occurrence, claim or action. Insured's must...
- a.  Not, except at their own cost, voluntarily assume liability or self-settle any losses, assume any liability, or incur any expense other than first aid, without the consent of the insurer
  - b.  Provide the insurer with prompt notification of any occurrence that could lead to any claim, immediately provide the insurer with any legal documents received, authorize the insurer to obtain any records
  - c.  Assist in the investigation
  - d.  All of the above
106. Conditions indicating indifference to moral hazard include:
- a.  Statutory condition, indifference to loss, moral character
  - b.  Financial condition, indifference to gain, moral character
  - c.  Perils that could cause loss
  - d.  Financial condition, indifference to loss, moral character
107. Insured's causing unintentional damage to the property of others will generally be covered by their liability policy. Third party property damage includes:
- a.  Physical injury to tangible property; all resulting loss of use of that property
  - b.  Physical injury to tangible assets, loss of use of those assets
  - c.  Physical injury to tangible property, and resultant loss of use of that property
  - d.  Intangible property, resulting loss of use of that property

108. A property insured for 600,000 is valued at 800,000. There is a co-insurance amount on the policy of 90%. When a loss occurs of \$200,000, how much must the **insured contribute** toward the claim? Do not take deductible into account.
- a.  33,333.34
  - b.  2333,333.34
  - c.  166,666.66
  - d.  3,333.34
109. Under Liability Insurance policies, the types of bodily injury which the insurer agrees to pay on behalf of the insured include:
- a.  Bodily injury, death resulting from bodily injury
  - b.  Sickness or disease, death resulting from sickness or disease
  - c.  Bodily injury; sickness or disease; death resulting from any of these at anytime
  - d.  All of above
110. When not named on the insurance policy, partners in a common law relationship will be entitled to coverage only when they are able to prove that:
- a.  They were living with the Named insured in a non-conjugal relationship outside marriage for a period not exceeding three years
  - b.  They were not living with the Named Insured in a non-conjugal relation outside marriage for a period of at least two years
  - c.  They were not living with the Named Insured for more than three years
  - d.  They were living with the Named Insured in a conjugal relationship outside marriage continuously for a period of three years
111. The Alberta Insurance Rating Board GRID rating program in Alberta
- a.  Was developed to set maximum premiums that insurance companies can charge for basic coverages for any driving record
  - b.  Applies traditional underwriting criteria such as age, gender and marital status
  - c.  Does not consider the territory where the vehicle is used
  - d.  Does not base grid step based on past losses
112. Statutory conditions are the rules of conduct that both the insured and insurer must abide by. Statutory Conditions:
- a.  Cannot be changed in any way via endorsement
  - b.  Can only be changed by legal endorsement designed specifically to override that condition
  - c.  Are legally binding
  - d.  None of the above
113. Which organization of experts will discuss contentious claims if and when the Insurance Bureau of Canada Intercompany Claims Settlement Agreement (also called IBC Fault Chart) cannot specifically define the situation?
- a.  There is no organization for this, it is always determined by IBC Agreement (Fault Chart)
  - b.  Canadian Insurance Claims Managers Association (CICMA)
  - c.  Canadian Insurance Condominium Insurance Act
  - d.  None of the above

### Practice Exam #1 Answer Key

1	b	31	c	61	a	91	c
2	d	32	c	62	b	92	a
3	d	33	b	63	d	93	a
4	a	34	a	64	b	94	c
5	b	35	a	65	a	95	c
6	c	36	b	66	c	96	a
7	a	37	b	67	a	97	b
8	c	38	a	68	b	98	c
9	d	39	c	69	d	99	d
10	d	40	f	70	d	100	d
11	b	41	c	71	b	101	c
12	c	42	c	72	c	102	c
13	d	43	c	73	b	103	a
14	b	44	d	74	d	104	a
15	a	45	d	75	a	105	d
16	c	46	c	76	b	106	d
17	a	47	a	77	d	107	a
18	b	48	b	78	c	108	a
19	b	49	a	79	c	109	c
20	d	50	c	80	c	110	d
21	a	51	d	81	d	111	a
22	b	52	b	82	c	112	b
23	c	53	a	83	d	113	b
24	c	54	b	84	a		
25	a	55	d	85	d		
26	b	56	c	86	a		
27	b	57	c	87	c		
28	d	58	d	88	c		
29	b	59	c	89	a		
30	b	60	c	90	a		

- The AIC exam will be 100 questions in 2 hours with transposing answers to an answer key.
- You should not have taken more than 1 hour 45 minutes to complete this 113 Question Full Exam #1.