FOI Level 1 Exam Handbook

Checked November 2026 · facts only from IBABC, Insurance Council of BC, IIC and ICBC official pages · questions and explanations are our own

What the exam looks like

Item	Current rule	Checked
Questions and time	100 multiple-choice questions, 2.5 hours (150 minutes), written online.	2026-11-15
Pass mark	70%.	2026-11-15
Fee and validity	$195, valid for one year from purchase; no refund after 6 months.	2026-11-15
Rewrites	$195 each time; the second attempt can be taken right away, after that wait one month between attempts.	2026-11-15
Study material	IBABC's current material is the 2017 edition with the April 2024 Autoplan supplement.	2026-11-15
Section weights	IBABC does not publish section weights for the FOI exam (rechecked 2026-11-15).	2026-11-15
Result validity and application window	Exam or course results are valid for 2 years (24 months); the licence application must reach the Insurance Council within 2 years of passing.	2026-11-15
Council Rules Course	Required for every individual applicant (except reinstatement cases).	2026-11-15
CAIB transition and FOI	The CAIB old-to-new transition affects CAIB only; the FOI route is unchanged.	2026-11-15
Weights of IIC's separate Level 1 exam	IIC's Level 1 exam (2 hours, closed book) publishes 30/30/30/5/5; it is a different exam, shown for reference only.	2026-11-15
Three ICBC Basic numbers often tested (2026 policy year)	Third Party Liability $200,000; Basic Vehicle Damage Coverage up to $200,000; UMP up to $1,000,000 per person; income replacement at 90% of net income, gross annual income capped at $122,500.	2026-11-15

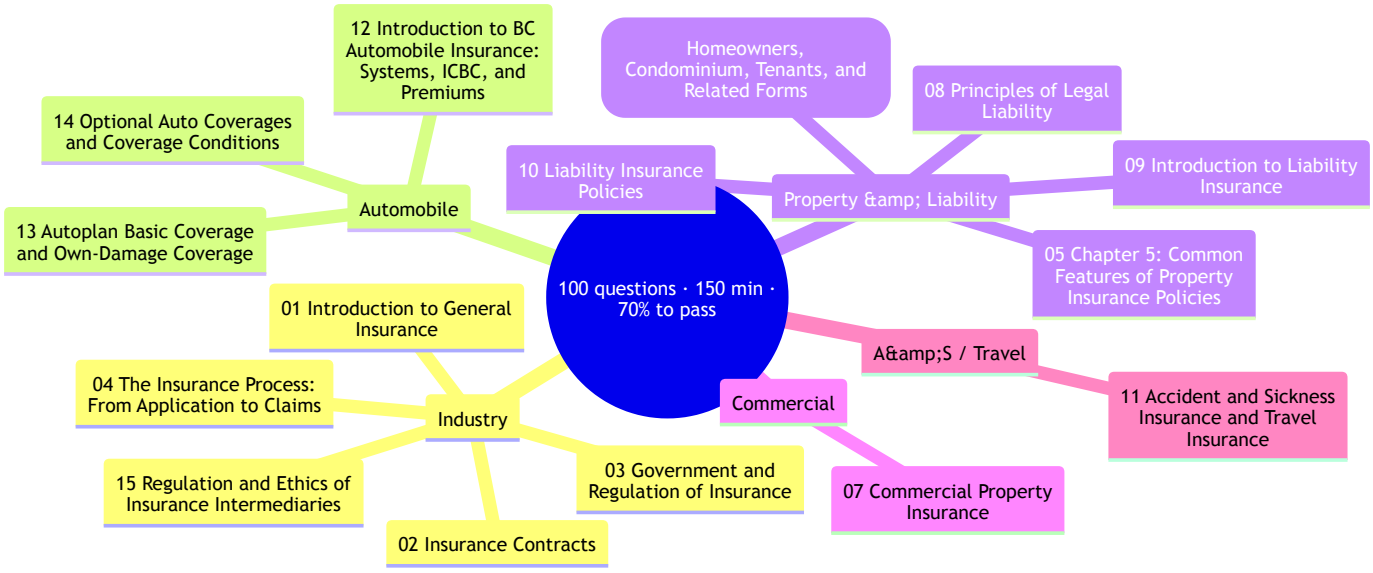
Where the marks are

IBABC does not publish FOI section weights. The practice-paper column counts questions per chapter in IBAS's free practice paper (90 questions, no BC auto); the mock column is our estimated mix.

Ch	Topic	Section	Priority	Practice paper	Mock

01	Introduction to General Insurance	Industry	P2 Hold steady	2	2
02	Insurance Contracts	Industry	P1 Must score	8	7
03	Government and Regulation of Insurance	Industry	P1 Must score	9	8
04	The Insurance Process: From Application to Claims	Industry	P2 Hold steady	7	6
05	Chapter 5: Common Features of Property Insurance Policies	Property & Liability	P1 Must score	11	10
06	Habitational Insurance (Homeowners, Condominium, Tenants, and Related Forms)	Property & Liability	P1 Must score	14	12
07	Commercial Property Insurance	Commercial	P1 Must score	15	13
08	Principles of Legal Liability	Property & Liability	P2 Hold steady	8	7
09	Introduction to Liability Insurance	Property & Liability	P3 Skim	4	4
10	Liability Insurance Policies	Property & Liability	P2 Hold steady	7	6
11	Accident and Sickness Insurance and Travel Insurance	A&S / Travel	P3 Skim	2	2
12	Introduction to BC Automobile Insurance: Systems, ICBC, and Premiums	Automobile	P1 Must score	—	6
13	Autoplan Basic Coverage and Own–Damage Coverage	Automobile	P1 Must score	—	8
14	Optional Auto Coverages and Coverage Conditions	Automobile	P1 Must score	—	6
15	Regulation and Ethics of Insurance Intermediaries	Industry	P2 Hold steady	3	3

The whole exam on one map



How to use this handbook

1. Start with the 15-question diagnostic on the site to find your red chapters.
2. Before reading each chapter, answer its starter questions on instinct, then check them as you read.
3. Each chapter is two sides of one sheet: front = how it is tested, traps, mind map; back = key points and self-test cues (cover the right two columns).
4. Do this chapter's questions in the question book; for misses, do the variants.
5. The night before, read only the final review sheet.

Chapter 1 · Introduction to General Insurance

Industry P2 Hold steady Introduction to General Insurance · practice paper 2 · 2 mock questions

Read with these questions: Insurance serves multiple social functions; which one is recognized as its primary function?; When settling a claim, who does the law designate to choose between paying cash, repairing, or replacing?; In the legal definition of insurance, what is the fundamental difference between risk and peril?; How do independent brokers and agents differ in insurer representation and ownership of the book of business?; Is Lloyd's of London an insurance company, and what is required for a slip to take effect?

How it is tested

- Primary vs. secondary function questions: All four options describe genuine social functions of insurance, but the stem asks for the main purpose, specifically testing whether you can identify the single primary function (spread of risk).
- Negative elimination questions (EXCEPT / NOT true): Focusing on the five key points of the legal definition of insurance or the characteristics of the three distribution channels, testing whether you can spot an absolute or misattributed statement.
- Statutory term distinction questions: Distinguishing in concrete loss scenarios among risk (the chance of financial loss), peril (the cause of loss), and the object of insurance, which is often loosely called a "risk" in everyday speech.
- Indemnity calculation and settlement option questions: Providing an original purchase price and the market value immediately before a loss, testing at which point in time indemnity is measured, and who decides whether to repair, replace, or pay cash.
- Underwriting and distribution structure comparison questions: Comparing stock versus mutual companies, and contrasting direct writing, independent brokerages, and agencies across legal status, representation, ownership of records, and compensation, along with the marketplace nature of Lloyd's of London.

Traps (watch for the signal)

True Statement but Not the Primary Function: The question stem contains terms like 'main purpose' or 'primary function of insurance'.

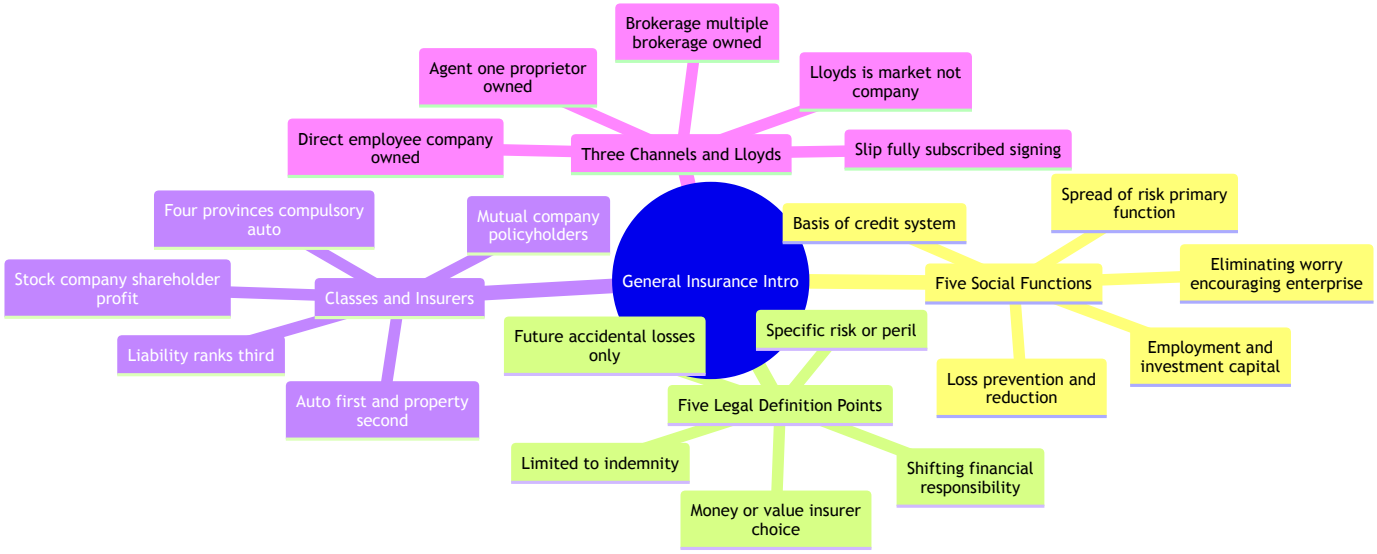
Colloquial Usage Confused with Statutory Meaning: The question stem requires distinguishing risk, peril, or object of insurance under the legal definition.

Mistaking Purchase Price for Indemnity and Absolutizing Settlement Method: The question stem provides both historical purchase price and pre-loss value, or contains phrasing such as 'must pay in money' or 'at the insured's option'.

Equating Single-Company Representation with Employee Status: The question stem describes an intermediary representing only one insurer while asking about employment status or ownership of the book of business.

Treating Lloyd's as an Insurance Company: The question stem contains terms such as Lloyd's of London, syndicate, underwriter, or slip.

Mind map


General Insurance Intro
Three Channels and Lloyds
Brokerage multiple brokerage owned
Agent one proprietor owned
Lloyds is market not company
Direct employee company owned
Slip fully subscribed signing
Classes and Insurers
Four provinces compulsory auto
Mutual company policyholders
Stock company shareholder profit
Liability ranks third
Auto first and property second
Five Social Functions
Basis of credit system
Spread of risk primary function
Eliminating worry encouraging enterprise
Employment and investment capital
Loss prevention and reduction
Five Legal Definition Points
Future accidental losses only
Specific risk or peril
Limited to indemnity
Money or value insurer choice
Shifting financial responsibility

Chapter 1Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
The Sole Primary Function of Insurance	spread of risk	Insurance has five social functions, but only the spread of risk (sharing the losses of the few among the many who contribute to a pool) is recognized as the primary function.
Five Key Points of the Legal Definition	legal definition of insurance	The legal definition contains five points: shifting financial responsibility, paying only upon occurrence of a specific risk or peril, limiting payment to indemnity, covering only future accidental losses, and allowing settlement in money or other thing of value.
Statutory Distinction Between Risk and Peril	risk vs. peril	In the legal definition, risk is the chance of financial loss, peril is the cause of loss (such as fire, wind, or hail), and the building being insured is the object of insurance.
Principle of Indemnity and Pre-Loss Valuation	indemnity	The objective of indemnity is to restore the actual loss, neither more nor less, with the settlement amount measured by the value of the property immediately before the loss occurred rather than the original purchase price.
Option in the Method of Settlement	money or other thing of value	The insurer has the right to settle a claim by repairing, replacing, or paying in money; the option belongs to the insurer, not the insured.
Ranking of Three Main Property and Casualty Classes	property and casualty (P&C) / general insurance	Insurance other than life and health is collectively termed property and casualty (P&C) or general insurance; ranked by premium volume, automobile insurance ranks first (over half of total premiums), followed by property insurance, and then liability insurance.
Stock Companies vs. Mutual Companies	stock company vs. mutual company	Stock companies are owned by shareholders with the primary goal of earning an investment return; mutual companies are owned by policyholders with the goal of providing insurance at low cost, returning surplus through dividends or rate adjustments.
Government Insurers and Compulsory Auto Provinces	government insurer	The governments of BC, SK, MB, and QC provide compulsory automobile insurance to residents; in BC, SK, and MB, government compulsory auto insurance is distributed through independent brokerages (QC is not included in this brokerage arrangement).
Four-Attribute Comparison of Direct Writing, Brokerage, and Agency	direct writing / independent brokerage / agency	Direct writers are salaried employees representing one insurer with business owned by the insurer; independent brokers are not employees, represent multiple insurers and the Facility Association, have business owned by the brokerage, and handle over 80% of business; agents are small business owners representing one insurer and the Facility Association, and own their book of business.
Operating Mechanism of Lloyd's of London	Lloyd's of London / syndicate / slip	Lloyd's is a market of underwriters rather than an insurance company; underwriters form syndicates to accept risks in their own names, and a slip submitted by a broker must be 100% subscribed before being stamped by the Policy Signing Office.

Self-test cues (Cornell left column)

1. Why must spread of risk be chosen as the primary function even though the other four social functions are factually correct?
2. What are the five key points in the legal definition of insurance, and who decides between repairing and paying money?
3. When a house catches fire, which three English terms correspond respectively to the fire, the chance of financial loss, and the house itself?
4. How do stock and mutual companies differ across ownership, primary objective, and distribution of surplus?
5. How do direct writing, independent brokerages, and agencies differ across employment status, insurers represented, ownership of records, and compensation?

Summary: Summarize in three sentences: the core operating logic of insurance, how the law establishes its boundaries through indemnity and future accidental losses, and which types of insurers deliver policies to clients through which three distribution channels in the Canadian market.

Chapter 2 · Insurance Contracts

Industry P1 Must score The Insurance Contract · practice paper 8 · 7 mock questions

Read with these questions: Which of the four methods of risk handling does selecting a higher deductible to reduce premium belong to?; When an application specifies a $100 deductible but the policy is issued with a $500 deductible, which essential contract element is missing?; Can a business operate as a contracting party using only a trade name, and which type of company has independent legal capacity?; Which contract elements are breached respectively when insuring stolen property versus property expected to be inherited?; If a broker orally binds coverage exceeding rate manual authority, who pays for a subsequent loss?

How it is tested

- Missing contract element scenario questions: Given an everyday scenario of insurance application, quote amendment, or loss occurrence, identifying which of the eight contract elements is missing (most frequently testing the distinctions among Agreement, Legal Capacity, Insurable Interest, and Legality of Object).
- Four risk handling methods matching questions: Using loss prevention, retaining a deductible, abandoning operations, or purchasing insurance by families or small businesses to test the definitions of avoidance, control, retention, and transfer, along with the qualitative judgment of 'least practical versus most common and practical'.
- Pure risk versus speculative risk distinction questions: Directly testing definitions or presenting scenarios such as starting a business, gambling, or natural disasters to test that 'only pure risk is insurable', using the 'chance of gain or loss' of speculative risk as the primary distractor.
- Party contracting capacity screening questions: Listing four business names (pure trade names, sole proprietorships with t/a or d/b/a, corporations with Ltd./Inc.) or scenarios of policy signing by minors or intoxicated persons to determine who possesses legal capacity to contract.
- Binder and three policy change documents matching questions: Testing the equal legal effect of oral and written binders, the two sources of binding authority and E&O liability for exceeding authority, and the application boundaries of endorsements, floaters, and separate policies.

Traps (watch for the signal)

Treating Conditional Acceptance as Agreement: The question stem contains 'accepts the quote, provided that / as long as / but changes...' or the issued policy terms conflict with the application.

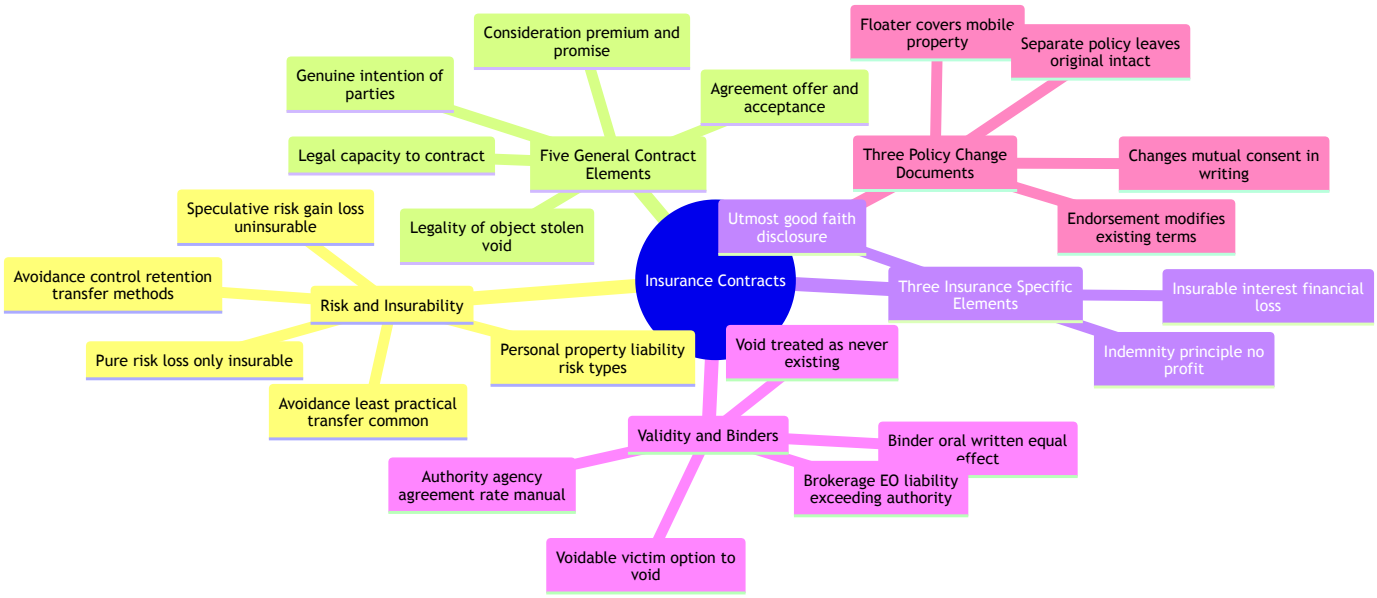
Treating a Trade Name Directly as a Contracting Party: Options list four business names in parallel, where some show only a trade name while others include Ltd./Inc. or d/b/a.

Confusing Stolen Goods with Property of Others: The question stem explicitly mentions stolen goods versus a neighbour's property or an expected inheritance.

Mistaking Deductibles for Risk Transfer: The question stem mentions 'deductible' or 'self–insure' and asks which of the four risk handling methods it represents.

Indiscriminately Choosing Rider or Binder for Policy Amendments: The question stem asks to 'acknowledge a change in the terms of an existing contract' and options simultaneously include endorsement, rider, binder, and floater.

Mind map


Insurance Contracts
Five General Contract Elements
Consideration premium and promise
Genuine intention of parties
Agreement offer and acceptance
Legal capacity to contract
Legality of object stolen void
Risk and Insurability
Speculative risk gain loss uninsurable
Avoidance control retention transfer methods
Pure risk loss only insurable
Avoidance least practical transfer common
Personal property liability risk types
Three Policy Change Documents
Floater covers mobile property
Separate policy leaves original intact
Changes mutual consent in writing
Endorsement modifies existing terms
Utmost good faith disclosure
Three Insurance Specific Elements
Insurable interest financial loss
Indemnity principle no profit
Void treated as never existing
Validity and Binders
Binder oral written equal effect
Brokerage EO liability exceeding authority
Authority agency agreement rate manual
Voidable victim option to void

Chapter 2Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Four Methods of Handling Risk	Avoidance / Controlling / Retention / Transfer	There are four methods to deal with personal, property, and liability risks: avoidance is the least practical; control only reduces frequency and severity; retention includes deductibles (higher deductibles mean more retained risk); and transfer (buying insurance) is the most common and practical.
Pure Risk vs. Speculative Risk	Pure risk vs. Speculative risk	Pure risk involves only the chance of loss and no opportunity for gain, and only pure risk is insurable; speculative risk involves the possibility of either loss or gain and is uninsurable.
Agreement and Consideration	Agreement and Consideration	A completed application is an offer, and the insurer unconditionally issuing a policy in accordance with the offer is acceptance, with oral and written agreements being equally binding; the applicant's consideration is the premium paid or the promise to pay premium in the future.
Legal Capacity and Trade Name Rules	Legal capacity and Trade names	A pure trade name has no legal status to contract and must be accompanied by the owner's legal name and t/a, d/b/a, or o/a, whereas an incorporated company (Ltd./Inc.) can contract independently; under the exam standard, the common law age of majority is 21 (reduced to 19 or lower in most provinces), and contracts entered into by minors for items other than necessities of life are voidable within a reasonable time.
Legality of Object and Genuine Intention	Legality of object and Genuine intention	A contract that violates public policy (such as insuring stolen goods) is unenforceable due to illegality of object; genuine intention requires that consent is not tainted by fraud, duress, concealment, or mistake.
Three Elements Unique to Insurance Contracts	Insurable interest / Utmost good faith / Indemnity	In addition to the five general elements, insurance contracts require insurable interest (suffering financial loss upon occurrence of a loss, including owners, partners, mortgagees, and bailees), utmost good faith, and indemnity (with indemnity often specifically highlighted as unique to insurance).
Distinction Between Void and Voidable	Void vs. Voidable	The absence of any essential element causes a contract to be void (treated in law as though it never existed) or voidable (unenforceable by the wrongdoer, with the aggrieved party holding the option to treat it as void).
Binders and Binding Authority	Binder / Binding authority / E&O	A binder (or cover note) is itself an insurance contract, equally binding whether oral or written, though oral binders should be confirmed in writing immediately; a broker's binding authority stems from the agency agreement and the rate manual, and if a loss occurs on coverage bound in excess of authority, the brokerage bears liability under errors and omissions (E&O).
Three Written Documents for Policy Changes	Endorsement / Floater / Separate policy	Policy changes require mutual consent and must always be in writing: modifying existing terms uses an endorsement, insuring highly mobile property uses a floater, and adding independent coverage while leaving the original policy intact uses a separate policy.

Self-test cues (Cornell left column)

1. Why is selecting a higher deductible classified as risk retention rather than risk control or risk transfer?
2. When an applicant specifies a $100 deductible on the application but the policy is issued with a $500 deductible, which of the five general elements is missing?
3. Why can a storefront trade name alone not execute an insurance contract, and which three connecting abbreviations enable a trade name to contract legally?
4. Which of the eight contract elements is breached respectively when insuring stolen property versus property expected to be inherited?
5. When a broker binds coverage exceeding authority and a loss occurs, who ultimately pays the claim, and in which two documents is binding authority specified?

Summary: Summarize in one or two sentences the complete logical chain connecting the 3 categories of risk, 4 handling methods, insurability of pure risk, 5 general plus 3 insurance-specific contract elements, 2 sources of binding authority, and 3 written policy change documents.

Chapter 3 · Government and Regulation of Insurance

Industry P1 Must score The Role of Government · practice paper 9 · 8 mock questions

Read with these questions: What does the provincial Superintendent of Insurance regulate, and does the regulator set premium rates?; Of the premiums and commissions handled by a brokerage, which portions must be held in trust?; When does a property policy take effect by statute, and how many days and what limit does the Removal Clause cover?; Which three perils are mandatorily covered in a fire policy, and how are lightning strikes or electrical surges to appliances indemnified?; How many days of notice must an insurer give to terminate a policy, and what two options does an insurer have after being notified of a material change?

How it is tested

- Negative elimination questions (EXCEPT / NOT / FALSE, highest proportion): The stem presents four statements regarding provincial government functions, material change rules, termination refunds, or post-loss obligations, requiring identification of the single incorrect statement (such as slipping premium rate-setting into the Superintendent's duties, or claiming an insured has no right to a refund upon voluntary cancellation).
- Precise statutory number and triggering event matching questions: Directly testing exact statutory numbers in the Insurance Act and Statutory Conditions (12:01 a.m., 7 days, 15 days and 5 days, 60 days, 30 days and 45 days, 1 year), using adjacent numbers or swapped starting events (from receipt of proof of loss vs. after the loss occurs) as distractors.
- Scope of fiduciary duty distinction questions: Testing boundaries of funds held in trust by insurers and brokers, focusing on distinguishing unearned from earned funds, along with Ontario's provincial exception requiring a separate trust account.
- Fire coverage and statutory exclusion scenario questions: Presenting residential or commercial loss scenarios (evacuation to avoid peril, electrical breakdown followed by fire, friendly fire versus hostile fire) to test that exclusions apply only to the damaged item itself with ensuing fire covered, and the triggering conditions of the Removal Clause.
- Statutory Conditions (1 to 15) practical determination questions: Focusing on misrepresentation, material change (testing whether a change is both substantial and continuing), claims fraud (testing that fraud invalidates the entire claim), and rules governing abandonment or appraisal, examining the allocation of rights and burdens of proof.

Traps (watch for the signal)

Confusing Provincial Regulation with Premium Rate Setting: The question stem asks for the functions or duties of the provincial government or Superintendent, and options mention setting premium levels or fixing rates.

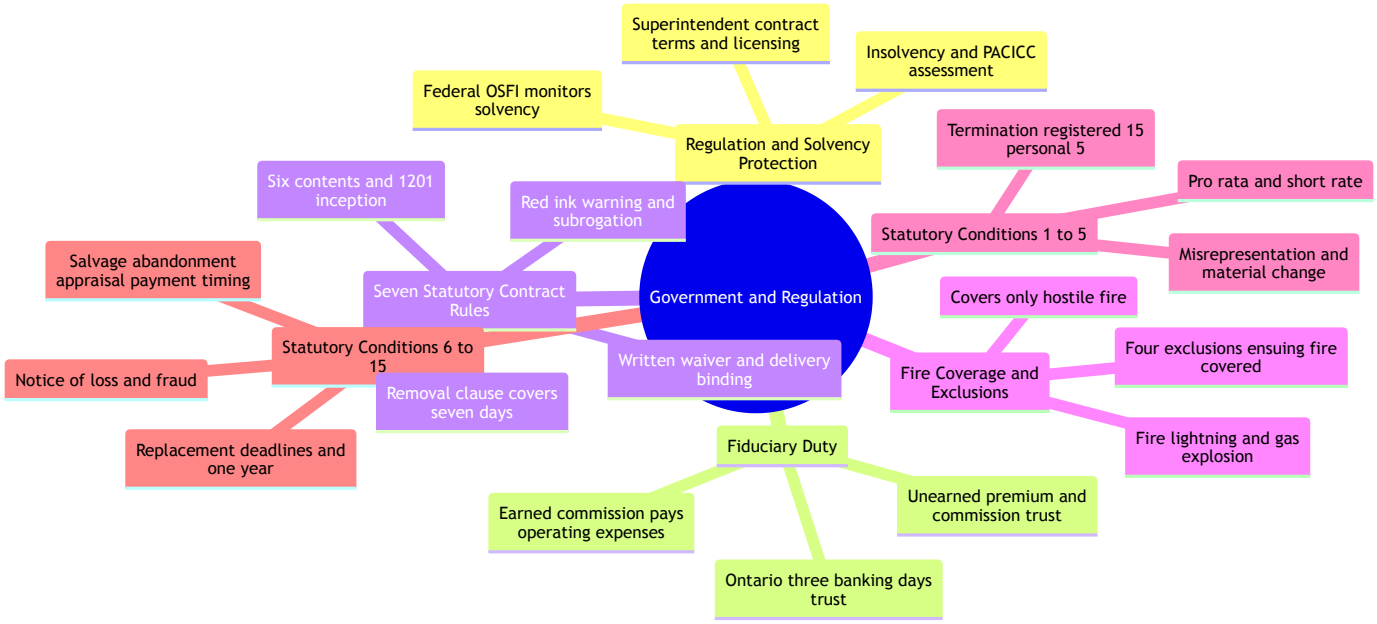
Replacing 'Unearned' with 'All' Commissions or Premiums: Options contain absolute language such as all commissions or entire premium must be held in trust until policy expiry.

Swapping Inception Time and Location Variables: The question stem asks when a policy takes effect, and options combine variations of a.m./p.m. with different addresses.

Extending Statutory Exclusions to Ensuing Fires: The question stem describes appliances damaged by lightning or electrical surge, or clothing scorched by an iron, followed by phrases like ensuing fire or fire spreads to nearby property.

Treating Temporary Events as Material Change and Deducting Only Fraudulent Items: The question stem describes a one-day event or short temporary activity, or an insured who fraudulently includes a fictitious item in a proof of loss.

Mind map


Government and Regulation
Regulation and Solvency Protection
Superintendent contract terms and licensing
Insolvency and PACICC assessment
Federal OSFI monitors solvency
Seven Statutory Contract Rules
Six contents and 1201 inception
Red ink warning and subrogation
Statutory Conditions 6 to 15
Salvage abandonment appraisal payment timing
Notice of loss and fraud
Removal clause covers seven days
Replacement deadlines and one year
Written waiver and delivery binding
Statutory Conditions 1 to 5
Termination registered 15 personal 5
Pro rata and short rate
Misrepresentation and material change
Fire Coverage and Exclusions
Covers only hostile fire
Four exclusions ensuing fire covered
Fire lightning and gas explosion
Fiduciary Duty
Earned commission pays operating expenses
Unearned premium and commission trust
Ontario three banking days trust

Chapter 3Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Division of Federal and Provincial Regulation and Solvency	Solvency & Superintendent of Insurance	The federal government (OSFI) monitors the financial stability of federally registered insurers; the provincial Superintendent of Insurance supervises policy terms, licenses insurers (a provincial licence is required even if holding a federal licence), and monitors the solvency of provincially chartered insurers (solvency being the ability to pay all insured losses), but the provincial government does not establish premium rates.
PACICC Insolvency Protection and Industry Assessment	Property and Casualty Insurance Compensation Corporation (PACICC)	When an insurer becomes insolvent, PACICC pays valid claims first, funded through assessments based on total direct written premiums of participating insurers; under the exam standard, the coverage limit is a maximum of $250,000 per occurrence, with unearned premiums refunded at 70% (up to $700 per policy).
Fiduciary Duty of Insurers and Brokers and the Ontario Exception	Fiduciary Duty & Unearned Commission	Insurers must hold unearned premiums and brokers must hold unearned commissions in trust to fund refunds if policies are cancelled early, while brokers may only use earned commissions for operating expenses; most provinces do not require a separate trust account (allowing premium remittance within 30 to 60 days), whereas Ontario specifically requires premiums to be deposited into a separate trust account within three banking days of receipt.
Six Mandatory Policy Contents and Inception Time	Contents of Insurance Policies & Policy Period	Insurance policies must specify the parties to the contract (a third party is not a contracting party), policy period, loss payee, perils insured and amounts, rate and premium, and subject matter; the statutory inception time is 12:01 a.m. Standard Time at the address of the named insured (or the moment coverage is bound when the broker has binding authority).
Three Conditions of the Removal Clause	Removal Clause	When property is necessarily removed to an unnamed location to prevent loss or further damage threatened by an insured peril, coverage is automatically extended for 7 days or the unexpired policy term (whichever is shorter), with the available limit reduced by any loss already incurred at the original named location.
Limitation Clause Warning, Subrogation, Waiver, and Delivery	Limitation Clause, Subrogation, Waiver & Delivery	A policy containing a limitation clause such as a deductible or coinsurance must have a red-ink warning on its first page or the clause is not binding on the insured (exam standard); after paying a claim, the insurer exercises subrogation rights in the name of the insured; a waiver must be in writing and signed by a person authorized by the insurer; once delivered, a policy binds the insurer even if the premium has not been paid.
Three Mandatory Fire Perils, Hostile Fire, and Four Statutory Exclusions	Fire, Lightning, Explosion & Statutory Exclusions	Policies covering fire must insure against fire (limited to hostile fire that has escaped its proper container), lightning, and explosion of natural, coal, or manufactured gas; four statutory exclusions are application of heat, lightning damage to electrical devices, other electrical surges, and radioactive contamination, though the first three exclude only the damaged article itself with any ensuing fire loss covered.
Statutory Conditions 1 and 4: Misrepresentation and Material Change	Misrepresentation & Material Change	Misrepresentation or fraudulent omission of a material fact renders coverage on the affected property void (burden of proof is on the insurer); a material change must be within the control and knowledge of the insured and be both substantial and continuing (a one-day temporary event does not qualify), and if the insurer requests an additional premium upon notification, the insured must pay within 15 days.
Statutory Conditions 5 and 7: Policy Termination and Claims Fraud	Termination & Fraud	An insurer may terminate by giving 15 days' notice by registered mail (commencing the day following arrival at the post office of destination) or 5 days' written notice delivered personally, with a pro rata refund; the insured may terminate at any time with refund calculated at short rate; if deliberate fraud is proven in a proof of loss, the entire claim is invalidated rather than merely the falsely claimed portion.

Statutory Conditions 9 to 14: Salvage, Abandonment, Appraisal, and Claim Timelines	Salvage, Abandonment, Appraisal & Action	The insurer contributes pro rata to reasonable salvage expenses; property cannot be abandoned to the insurer without its consent; appraisal determines only valuation and not policy liability; claim payment is due within 60 days after completion of proof of loss (written notice of intention to repair or replace within 30 days and work commenced within 45 days of receipt of proof of loss); lawsuits must be commenced within 1 year after the loss occurs (exam standard).

Self-test cues (Cornell left column)

1. What three matters does the provincial Superintendent of Insurance regulate regarding insurers, and why is setting premium rate levels excluded?
2. Which specific funds are governed by the fiduciary duty of insurers and brokers respectively, and which province imposes unique trust account rules?
3. What two critical elements define statutory policy inception under the Insurance Act, and what three conditions must be met for the Removal Clause to apply?
4. Which three perils are mandatorily covered in policies insuring fire, which four perils are statutory exclusions, and why do exclusions apply only to the damaged article itself?
5. Connecting all statutory timeframes: what rules and starting events correspond respectively to 5 days, 15 days (two instances), 30 days, 45 days, 60 days, and 1 year?

Summary: Summarize this chapter in three sentences: first, explain how government regulators and PACICC monitor insurer solvency and enforce broker fiduciary duties; second, describe the Insurance Act baseline requirements for mandatory policy contents, removal coverage, three mandatory fire perils, and four statutory exclusions; third, sequence the core statutory numbers across the 15 Statutory Conditions in chronological order.

Chapter 4 · The Insurance Process: From Application to Claims

Industry P2 Hold steady The Insurance Process · practice paper 7 · 6 mock questions

Read with these questions: What is the leading cause that accounts for nearly half of all E&O claims brought against brokers?; Can unfavorable facts be concealed to prevent client loss, and what duty does a broker owe to the insurer?; When an underwriter checks an applicant's suspicious past claims and financial condition, which category of hazard is being investigated?; Does an underwriter need to be licensed, and is the primary function of underwriting rating or risk selection?; How should a brokerage respond if a client reports a very minor loss, and when does an insurer use an independent adjuster?

How it is tested

- Qualitatively evaluate the dual duties of a broker: given scenarios where client interests conflict with premium levels or risk deficiencies, test whether you can identify reasonable skill, care and diligence owed to the client and full disclosure of all material facts to the insurer, while eliminating absolutist statements such as seeking only the lowest premium or acting solely for the client.
- Distinguish the primary cause of errors and omissions (E&O) from secondary sources: directly asking which factor most commonly triggers E&O claims, testing whether you can pinpoint inadequate coverage (accounting for nearly 50%) along with its four specific forms, without mistaking brokerage agreement violations or renewal errors for the primary cause.
- Infer the hazard category from an underwriter's investigation actions: given a verification action by an underwriter (such as examining financial condition, prior claims history, or inspecting building construction and clutter), test whether you can determine if the underwriter is concerned with a physical hazard or a moral hazard.
- Examine the underwriter's role, primary function, four information sources, and five underwriting decisions: commonly placing binding coverage, issuing policies, or calculating personal lines rates into distractors, testing whether you recognize that an underwriter is an unlicensed employee of the insurance company whose primary function is risk selection (selecting risks most likely to be profitable).
- Examine the two-step loss reporting path and division of labor between two types of claims adjusters: asking how a brokerage handles minor loss reports, or when an independent adjuster is engaged, testing whether you distinguish company adjusters (handling most claims) from independent adjusters (hired during staff shortages or when special expertise is required).

Traps (watch for the signal)

One-Sided Duty Trap: Options containing extreme words such as only, lowest premium, or no obligation to the insurer.

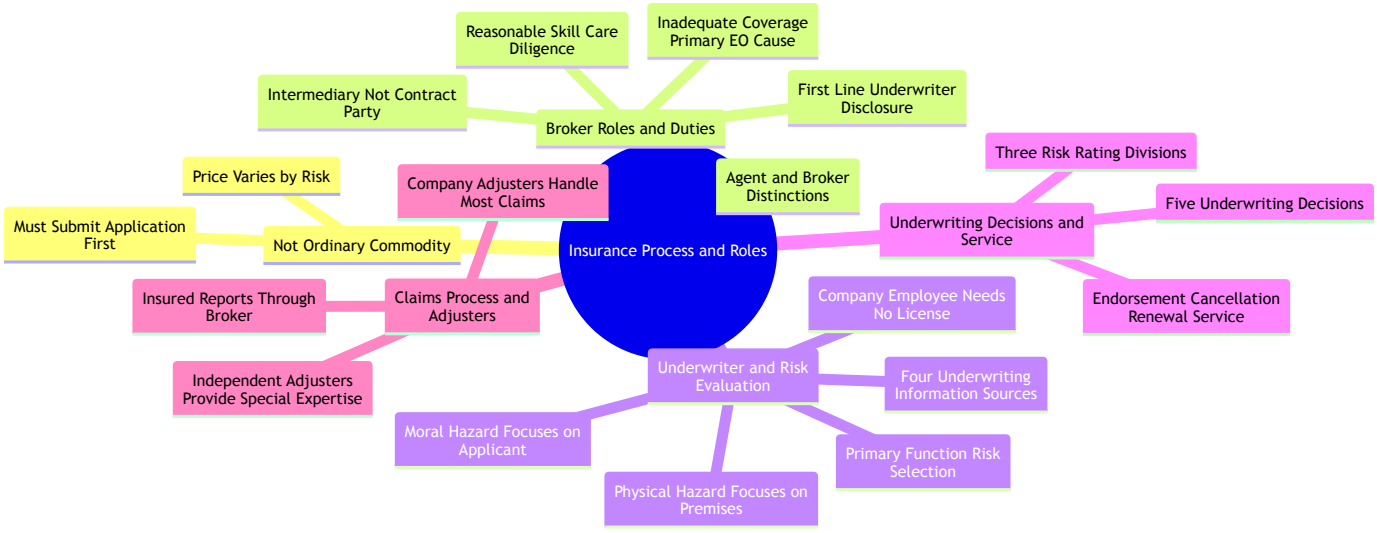
Confusing Primary vs Secondary Causes of E&O: Question stems containing phrases asking for the leading cause, such as primary cause, most common source, or nearly half of all E&O claims.

Confusing Physical and Moral Hazards: Notice whether the stem describes investigating the applicant's character, finances, inflated past claims, or careless attitude versus building construction, occupancy type, or housekeeping neatness.

Confusing Primary Underwriting Function with Routine Tasks: Question stems asking for the primary function or main role of an underwriter while distractors list rating, issuing policies, or policyholder service.

Confusing Exam Syllabus with Current BC Practice: Question stems inquiring whether brokerage employees need individual E&O, whether underwriters must be licensed, or the legal distinctions between agents and brokers.

Mind map


Insurance Process and Roles
Broker Roles and Duties
Reasonable Skill Care Diligence
Inadequate Coverage Primary EO Cause
Intermediary Not Contract Party
First Line Underwriter Disclosure
Agent and Broker Distinctions
Not Ordinary Commodity
Price Varies by Risk
Must Submit Application First
Claims Process and Adjusters
Company Adjusters Handle Most Claims
Insured Reports Through Broker
Independent Adjusters Provide Special Expertise
Underwriting Decisions and Service
Three Risk Rating Divisions
Five Underwriting Decisions
Endorsement Cancellation Renewal Service
Underwriter and Risk Evaluation
Company Employee Needs No License
Four Underwriting Information Sources
Primary Function Risk Selection
Physical Hazard Focuses on Premises
Moral Hazard Focuses on Applicant

Chapter 4Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Two Reasons Why Insurance Is Not an Ordinary Commodity	commodity / application	An application must be submitted before insurance is issued (substandard risks are generally declined), and premiums vary based on specific risk factors rather than being the same for everyone.
Parties to the Contract and Intermediary Roles	intermediary / parties to the contract	An insurance contract has only two parties: the insured and the insurer; both brokers and agents are merely intermediaries and are not parties to the contract.
Two Distinctions Between an Agent and a Broker	agent / broker	An agent owes primary duty to the insurer and usually represents a single company; a broker owes primary duty to the client and typically compares options across multiple insurers.
Legal Standard Owed to Clients and E&O Claims	reasonable skill, care and diligence / errors and omissions (E&O)	Brokers must exercise reasonable skill, care and diligence to ensure clients receive proper advice and coverage; failure to meet this standard resulting in client financial loss can trigger E&O claims against both the broker and the brokerage.
Primary Cause of E&O Claims: Inadequate Coverage	inadequate coverage	Inadequate coverage accounts for nearly 50% of all E&O claims, arising from failure to advise on exclusions, failing to place coverage or placing it too late, arranging incorrect coverage, or misrepresenting the availability of coverage.
Duty to the Insurer and First Line Underwriter	first line underwriter	As the first to assess a risk, the broker must tell the insurer the truth and not withhold material information, never concealing unfavorable facts out of fear of losing the client to a competitor.
Underwriter Role, Primary Function and Information Sources	underwriter / risk selection / loss experience data	An underwriter is an unlicensed employee of the insurance company whose primary function is risk selection (selecting risks most likely to be profitable), relying on the application, the broker, 3 to 5 years of loss experience data, and inspection reports.
Distinction Between Physical Hazard and Moral Hazard	physical hazard / moral hazard / indifference to loss	Physical hazards relate to the premises (building construction, occupancy, housekeeping), are observable, and can often be reduced; moral hazards relate to the applicant (finances, character, indifference to loss) and are extremely difficult to detect.
Five Underwriting Decisions and Three Rating Approaches	rating / rate manual / rating sheet	Underwriters have five decisions: reject, accept as submitted, accept with a rate increase, accept with a higher deductible, or accept subject to conditions; rating is done by brokers using rate manuals for personal lines, rating sheets for small businesses, and entirely by underwriters for complex commercial risks.
Two-Step Claims Process and Two Types of Claims Adjusters	claims adjuster / company adjuster / independent adjuster	Following a loss, the insured reports first to the brokerage, which then notifies the insurer; company adjusters handle the majority of claims, while independent adjusters are used when internal staff is unavailable or specialized expertise is required.

Self-test cues (Cornell left column)

1. Why is insurance not an ordinary commodity, and who are the parties to an insurance contract?
2. What are the two core legal distinctions between an agent and a broker?
3. What primary duties does a broker owe to the client and to the insurer, and what are the four specific forms of inadequate coverage that account for nearly 50% of E&O claims?
4. What is an underwriter's primary function, and which four information sources help identify physical hazards and moral hazards?
5. What are the underwriter's five decision options, what are the two steps in reporting a loss, and under what circumstances are the two types of adjusters assigned?

Summary: In three sentences, summarize the three roles a policy passes through from application to claim (broker, underwriter, claims adjuster), highlighting their core responsibilities and the most common exam pitfalls.

Chapter 5 · Chapter 5: Common Features of Property Insurance Policies

Property & Liability | P1 Must score | Property Policies: Common Features · practice paper 11 · 10 mock questions

Read with these questions: When an insured building is completely destroyed and carries a mortgage, is the policy payout paid to the lender or to the insured first?; How is actual cash value (ACV) calculated upon a loss, and which three figures are compared under the least–of–three rule?; If an insured breaches a warranty that has no connection to the cause of loss, can the insurer deny the claim?; Among water damage, axe cuts from firefighting, and freezer stock spoilage from power failure, which are considered direct losses?; Under property exclusions, how many days of vacancy excludes coverage, and is lightning an excluded peril?

How it is tested

- Comprehensive loss settlement calculations: given replacement cost, depreciation, the insured's insurable interest, policy limit, and deductible, testing whether you can determine actual cash value (ACV = replacement cost minus depreciation), apply the least–of–three–amounts rule (ACV, insurable interest, policy limit), and subtract the deductible to calculate the final claim payout.
- Mortgagee loss settlement priority scenarios: combining the least–of–three–amounts rule with the Standard Mortgage Clause in a single question, first determining total policy payable loss, paying the outstanding mortgage balance to the mortgagee first, and asking how much the insured personally receives, targeting candidates who skip steps or mistake the payee.
- Distinguishing conditions from warranties: using true/false or scenario–based questions to test the official exam standard that breaching a warranty allows claim denial regardless of whether the breach had any connection to the loss, as well as the origins and policy applications of statutory conditions versus policy conditions.
- Identifying exceptions to excluded property and excluded perils: using reverse question stems asking which item is NOT excluded, frequently altering the threshold for vacant property from more than 30 consecutive days to 15 days, or inserting statutorily covered lightning into the excluded perils list.
- Direct loss, replacement cost conditions, and pair and set scenarios: given situations involving firefighting damage, power interruption leading to spoiled stock, rebuilding on another site, failure to repair, or loss of one item from a set, testing whether candidates can apply policy rules to determine coverage and whether settlement is on an ACV or replacement cost basis.

Traps (watch for the signal)

Omitting the Least–of–Three Rule or Selecting the Wrong Payee: Questions presenting multiple dollar figures (replacement cost, depreciation, policy limit, mortgage balance) and asking how much the insured is entitled to receive.

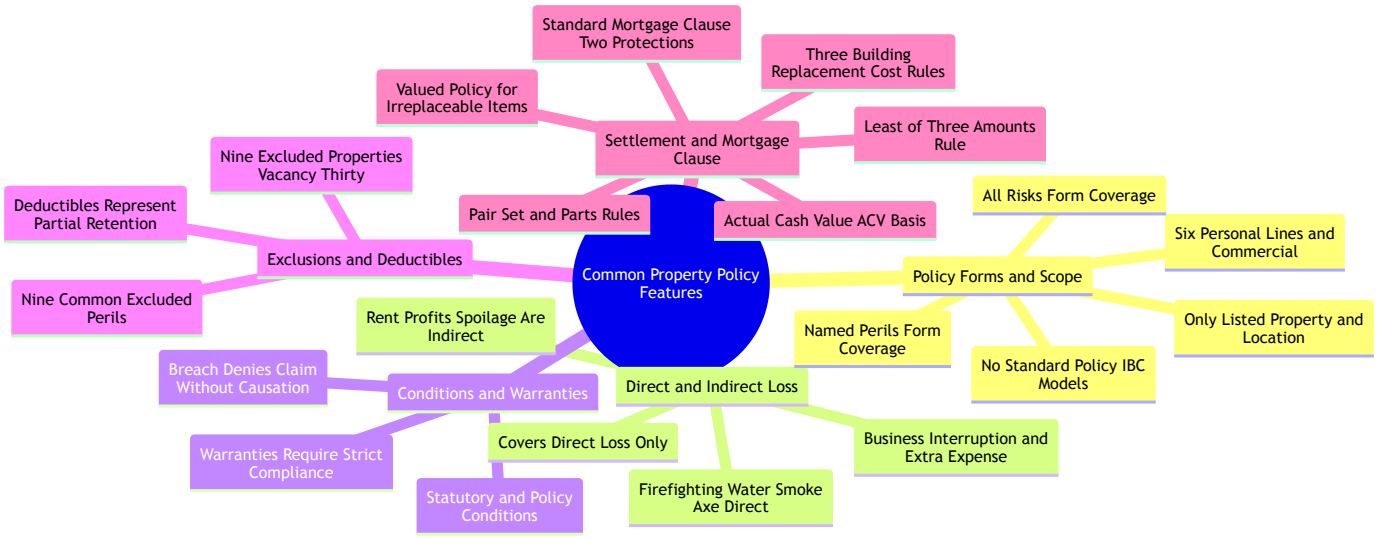
Treating Warranties as Conditions Regarding Causation: Question stems mentioning warranty, strict compliance, or describing an insured's non–compliance that has no connection to the cause of fire.

Applying Replacement Cost When Missing One of the Three Conditions: Question stems mentioning rebuilding in another city, taking a cash settlement instead of repairing, keeping old equipment after buying new, or covering commercial stock.

Truncated Vacancy Days and Misclassifying Lightning as Excluded: Question stems asking EXCEPT or NOT excluded, where options list vacant for 15 consecutive days or lightning.

Mistaking Firefighting Damage for Indirect and Power Loss Spoilage for Direct: Questions requiring candidates to distinguish firefighting damage (water, smoke, heat, axe cuts) from subsequent loss of income, rent, or freezer inventory spoilage caused by power disruption.

Mind map


Common Property Policy Features
Settlement and Mortgage Clause
Standard Mortgage Clause Two Protections
Three Building Replacement Cost Rules
Valued Policy for Irreplaceable Items
Least of Three Amounts Rule
Pair Set and Parts Rules
Actual Cash Value ACV Basis
Exclusions and Deductibles
Nine Excluded Properties Vacancy Thirty
Deductibles Represent Partial Retention
Nine Common Excluded Perils
Policy Forms and Scope
All Risks Form Coverage
Six Personal Lines and Commercial
Only Listed Property and Location
Named Perils Form Coverage
No Standard Policy IBC Models
Direct and Indirect Loss
Rent Profits Spoilage Are Indirect
Business Interruption and Extra Expense
Covers Direct Loss Only
Firefighting Water Smoke Axe Direct
Conditions and Warranties
Breach Denies Claim Without Causation
Warranties Require Strict Compliance
Statutory and Policy Conditions

Chapter 5Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Named Perils versus All Risks	Named perils vs. All risks	There is no standardized property insurance policy, as most forms are adapted from IBC advisory models; named perils policies cover only specified perils, whereas all risks policies cover all direct physical damage subject to explicit policy exclusions.
Property and Location Insured	Property and location insured	Coverage is strictly restricted to locations specified in the policy; homeowners forms automatically cover dwelling buildings, detached private structures, and personal property, whereas commercial policies cover only items with a specific limit of insurance shown, such as building, stock, or equipment.
Direct Loss versus Indirect Loss	Direct loss vs. Indirect loss	Property insurance covers direct loss only, including firefighting water damage, roof axe cuts, smoke, and heat damage; loss of rent, loss of profit, or refrigerated stock spoilage from off-premises power disruption are indirect losses requiring Business Interruption or Extra Expense endorsements.
Distinction Between Conditions and Warranties	Conditions and Warranties	Conditions, both statutory and policy conditions, require the insured to do or refrain from doing something; warranties certify that certain facts are and will continue to be true and require strict compliance, such that breaching a warranty allows the insurer to deny a claim regardless of whether the breach had any connection to the loss.
Nine Excluded Properties and Nine Excluded Perils	Property excluded and Perils excluded	The nine standard excluded properties include evidences of debt or title, securities, automobiles, watercraft, aircraft, money, other motorized vehicles, books of account, and vacant property vacant for more than 30 consecutive days; common excluded perils include earthquake, flood, agricultural or industrial smoke, wear and tear, rust, war, nuclear incident, increased cost of compliance with building by-laws, and sewer back-up (earthquake and flood are readily buyable).
Deductibles and Partial Risk Retention	Deductible and Partial retention	A deductible is the amount of each loss retained by the insured representing partial retention, where a higher deductible yields a lower premium; personal lines policies typically range from $200 to $1,000 with a single deductible applying to the entire policy, while commercial policies establish a $500 minimum standard.
Pair and Set and Parts Rules	Pair and set / Parts	When one item of a matched pair or set is lost or damaged, the claim settlement must deduct the value retained by the remaining item; when property consisting of several parts suffers partial damage, payment covers only the value of the damaged part plus installation costs, not the entire item.
Least-of-Three Amounts and Actual Cash Value	Actual Cash Value (ACV) and Indemnity Agreement	Claim payment does not exceed the least of actual cash value at the time of loss, where ACV equals replacement cost minus depreciation based on condition, obsolescence, resale value, and normal life expectancy, the insured's insurable interest, and the policy limit on the declarations page, minus the deductible.
Three Replacement Cost Conditions and Valued Policies	Replacement Cost Basis and Valued Policy	Building settlement on a replacement cost basis, providing new property of like kind and quality without deduction for depreciation, requires fulfilling three conditions: replacement with due diligence and dispatch, repair or reconstruction on the same or an adjacent site, and payment of the difference only after work is actually completed; failing any condition restricts settlement to ACV, and IBC 4005 excludes commercial stock; irreplaceable antiques and fine arts may be insured under a valued policy paying the value agreed with an appraiser.
Two Protections of the Standard Mortgage Clause	Standard Mortgage Clause	The insured is responsible for delivering a certified copy of the policy to the mortgagee; the Standard Mortgage Clause guarantees that the mortgagee's protection remains valid even if the insured breaches policy conditions or makes a misrepresentation, and the insurer cannot cancel or amend the policy to the mortgagee's prejudice without providing the same statutory notice.

Self-test cues (Cornell left column)

1. Which three items of property are automatically covered under a homeowners policy, and what is required for property to be covered under a commercial policy?
2. Which losses are considered direct losses from a fire, and why are freezer spoilage from power failure and loss of rent not covered?
3. What is the fundamental difference in causation requirements between breaching a condition and breaching a warranty?

4. What are the three components of the least–of–three rule, the formula for ACV, and the four factors influencing depreciation?
5. Which three conditions must be satisfied for building settlement on a replacement cost basis, and what two protections does the Standard Mortgage Clause provide to a mortgagee?

Summary: In your own words, summarize three exam problem–solving rules connecting: defining coverage scope (property, location, direct loss, exclusions) –> calculating maximum payout (least of three amounts or replacement cost conditions minus deductible) –> determining payout priority (mortgagee paid first).

Chapter 6 · Habitational Insurance (Homeowners, Condominium, Tenants, and Related Forms)

Property & Liability | P1 Must score | Habitational Insurance · practice paper 14 · 12 mock questions

Read with these questions: When spouses separate and move out or adult children live away at school, who still qualifies as an insured under the policy?; Are claims for lock replacement, freezer food spoilage, and fire department charges subject to the policy deductible?; When municipal bylaws require higher construction standards after a fire, does replacement cost cover bylaw upgrade expenses?; If a fur coat is a total loss in a fire, is it subject to the $2,000 special limit cap?; Under what conditions does the policy cover frozen burst pipes when homeowners are away on vacation for more than four days in winter?

How it is tested

- Scenario–based claim coverage determinations (covered vs. not covered): presenting specific loss scenarios (such as fireplace smoke, unplugging a freezer, fire damage involving a separated spouse, or theft of a business laptop while traveling), testing precise identification of insured perils, qualifying conditions, and policy exclusions.
- Identifying exceptions (EXCEPT / NOT covered questions): presenting four plausible coverage statements (such as lock replacement for lost or stolen keys, counting boarders as insureds, or condominium unit forms covering the unit purchase price), specifically testing subtle wording distinctions within policy provisions.
- Special limits and deductible calculations: distinguishing between the two categories of special limits—those applying to all losses versus those applying to theft only—and applying the accounting rules where the deductible is deducted before the special limit is applied, as well as identifying the five extensions of coverage subject to no deductible.
- Timelines and numerical thresholds: testing exact numerical limits surrounding the two vacancy clocks (immediate suspension of three perils versus total suspension after 30 consecutive days), the freezing condition requiring daily checks when away for more than 4 consecutive days in winter, the 180–day replacement cost settlement window, and the two–week civil authority prohibited access extension.
- Cross–comparison of policy forms (Form 1151 vs. Form 1153 vs. Form 1155 and condominium forms): testing how Form 1153 upgrades only the dwelling to all risks while personal property remains named perils, how Form 1155 upgrades both building and personal property to all risks, and the specific triggers for loss assessment and unit improvements under condominium unit owner forms.

Traps (watch for the signal)

Mistaking Theft–Only Special Limits for All–Loss Limits: When question stems mention damaged furs, jewellery, numismatic property, stamps, collector cards, or bicycles, first check whether the peril is fire/windstorm or theft; when business tools or laptops appear, first check whether they were on the premises or taken off the premises.

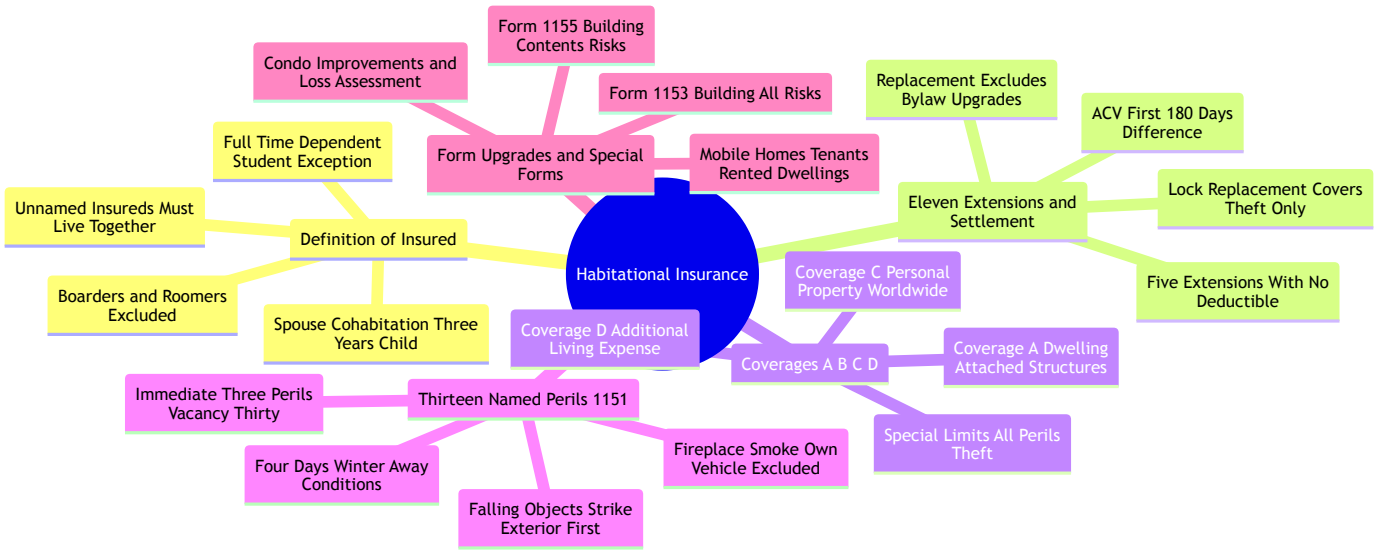
Confusing Extension Conditions and Deductible Exceptions: In question stems mentioning keys, check whether they were lost or stolen; for freezer thawing, check whether caused by off–premises power interruption/mechanical breakdown or local unplugging/tripped breakers; for frozen indoor plants, check whether an insured peril first caused physical damage to the building or heating equipment.

Overlooking Prerequisites and Internal Exclusions in Form 1151 Named Perils: Watch for fireplace smoke (excluded under smoke), a tree branch hitting patio furniture (falling object must first strike the exterior of the building), an insured driving their own vehicle (impact excludes vehicles owned or driven by an insured or employee), or rain entering through an open window (windstorm requires storm damage to first create an opening in the roof or walls).

Confusing the Two Vacancy Clocks with the Four–Day Winter Absence Rule: When occupants move out with no intent to return (even if furnishings remain), vacancy is triggered: vandalism, water damage, and glass breakage cease immediately, while all coverage ceases once vacant for more than 30 consecutive days; for winter vacations, check whether the absence exceeds 4 consecutive days and whether daily heating checks or draining of water supplies were performed.

> **Misapplying Form 1153 Broad Form Coverage and Condominium Assessment Triggers:** Under Form 1153 Broad Form, distinguish whether damaged property is building (Coverages A and B, all risks) or personal property (Coverage C, remains named perils); for condominium corporation assessments, check whether the assessment results from a shortfall in the corporation's master policy and whether the underlying peril is covered by the unit owner's own policy.

Mind map



Chapter 6Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
The Insured, Spouse, and Cohabitation Requirements	The Insured / spouse / common-law partner	Unnamed insureds (spouse, relatives of either, and persons under 21 in their care) must be living in the same household with the named insured at the time of loss (except full-time students dependent on the named insured, who may be over 21 and temporarily living away at school); a common-law partner qualifies as a spouse only after living together continuously for 3 years, or for 1 year if they are natural or adoptive parents of the same child; boarders and roomers are excluded from the definition of the insured, and only the named insured has the legal right to commence an action against the insurer.
Extensions of Coverage and Five Deductible-Exempt Items	Extensions of Coverage	Five extensions of coverage are exempt from the policy deductible: fire department charges ($1,000), freezer food ($2,000, limited to accidental power interruption or mechanical breakdown, excluding deliberate disconnection or tripped breakers within the building), lock replacement ($500, applies only when keys are stolen and reported to police, excluding lost keys, with replacement or rekeying at the insurer's option), arson conviction reward ($1,000), and credit or debit card and counterfeit currency ($1,000); change of temperature loss requires an insured peril to first cause direct physical damage to the building or heating equipment.
Basis of Claim Payment, Bylaw Upgrades Exclusion, and 180-Day Rule	Basis of Claim Payment / Guaranteed Replacement Cost	Dwelling buildings repaired or replaced within a reasonable time on the same site with materials of similar quality and used for the same occupancy are settled on a replacement cost basis, whereas unperformed repairs are settled on an actual cash value (ACV) basis; neither replacement cost nor guaranteed replacement cost pays for additional costs necessitated by building bylaws or ordinances; personal property defaults to replacement cost (except antiques/fine arts, memorabilia/souvenirs, poorly maintained items, and obsolete stored items no longer used for their original purpose, which are settled on an ACV basis), and insureds may take an initial ACV settlement and claim the difference within 180 days from the date of loss upon completing repair or replacement.
Coverages A, B, C, and D Structure and Package Policy Rules	Coverage A, B, C, D / Package Policy	Standard package policy percentage limits add onto Coverage A rather than reducing it: Coverage B (detached private structures) = 10% of A, Coverage C (personal property) = 70% to 90% of A, and Coverage D (additional living expense) = 20% of A, and package coverages cannot be removed or declined; Coverage A includes building materials on the premises for construction but excludes theft until the dwelling is completed and ready for occupancy, and outdoor trees, shrubs, and plants are covered up to 5% of Coverage A ($500 per item, excluding windstorm and hail).
Coverage C Special Limits of Insurance and Deductible Sequence	Special Limits of Insurance	Special limits apply in the aggregate per category and follow the sequence of deducting the policy deductible before applying the special limit: eight categories apply to all insured losses (business books and tools $2,000 and only while on the premises, securities $2,000, student property away at school $2,500, money or cash $200, garden-type tractors $5,000, watercraft $1,000, computer software $2,500 with hardware unlimited, and spare automobile parts $1,000); five categories apply to theft only (jewellery, watches, and furs $2,000, numismatic property/coin collections $200, stamps and manuscripts $1,000, collectible cards $1,000, and bicycles $500 each).
Coverage D Additional Living Expense and Civil Authority Access	Additional Living Expense / Civil Authority	Additional Living Expense pays only the necessary increase in living costs over normal expenses incurred to maintain the insured's normal standard of living when an insured peril renders the dwelling uninhabitable (mortgage payments and normal food costs that would have been incurred anyway are not covered); when access to the premises is prohibited by civil authority due to damage to neighbouring premises by a peril insured under the policy or resulting from sudden emergency, Additional Living Expense and Fair Rental Value are covered for a maximum of 2 weeks (evacuations due to flood or uninsured earthquake are not covered).
IBC 1151 Basic Form Insured Perils and Internal Restrictions	IBC 1151 Basic Form Insured Perils	In Form 1151 named perils, explosion excludes water hammer; smoke excludes smoke from fireplaces and unattended cooking pans; falling object requires the object to first strike the exterior of the building; impact by land vehicle or aircraft excludes vehicles owned or operated by any insured or employee and excludes damage to animals; windstorm or hail covers interior personal property only if the storm first creates an opening in the building envelope; glass breakage covers building glass only and excludes personal property glass;

		transportation excludes personal property in a vacation or home trailer owned by the insured and watercraft.
Water Damage Exclusions, Four–Day Winter Absence, and Two Vacancy Clocks	Water Damage Exclusions / Vacancy	During the normal heating season, if all residents are away from the dwelling for more than 4 consecutive days, freezing water damage to heated portions is covered only if a competent person entered the house daily to ensure heat was maintained, or if the water supply was shut off and all pipes and domestic appliances were drained (prior notice to the insurer is not required; freezing in unheated portions is strictly excluded); a dwelling is vacant when all occupants have moved out with no intent to return and no new occupant has moved in (regardless of the presence of furnishings), where vandalism, water damage, and glass breakage cease immediately upon becoming vacant, and all coverage ceases when vacant for more than 30 consecutive days to the knowledge of the insured.
Differences Between IBC 1153 Broad Form and IBC 1155 Comprehensive Form	IBC 1153 Broad Form / IBC 1155 Comprehensive Form	Form 1153 Broad Form upgrades only the dwelling building and detached private structures (Coverages A and B) to all risks coverage, while personal property (Coverage C) remains covered under named perils; Form 1155 Comprehensive Form upgrades both building and personal property to all risks coverage (covering losses such as fireplace smoke or roof collapse from snow weight), subject to exclusions including damage to sporting equipment due to its use, wear and tear, mechanical breakdown, settling or cracking, vermin or rodents, and earthquake or earth movement.
Condominium Unit Owners Form and Mobile Home Form Provisions	Condominium Unit Owners Form / Mobile Home Form	The Condominium Corporation insures the building and common elements, while the Condominium Unit Owners Form (which does not cover the purchase price of the unit) provides unit improvements and betterments (basic limit $1,000, settled on a replacement cost basis), loss assessment (standard limit $5,000, payable only if the underlying assessment resulted from an insured peril under the unit owner's policy), and unit additional protection; the Mobile Home Form provides emergency removal expenses up to 5% of Coverage A to disconnect and move the home when threatened by an insured peril, but excludes damage caused by the moving process.

Self–test cues (Cornell left column)

1. What specific conditions must each unnamed insured (spouse, common–law partner, relatives, dependent students, and persons under 21 in care) meet to qualify for coverage?
2. Which five of the eleven extensions of coverage are exempt from the deductible, and what are the most tested claim denial restrictions for lock replacement, freezer food, and change of temperature?
3. Which Coverage C special limits apply to all losses versus theft only, and how is the deductible sequenced when a special limit applies?
4. What specific limitations apply under Form 1151 for smoke, falling objects, vehicle impact, windstorm, water damage (the 4–day winter absence rule), and the two vacancy clocks?
5. How do Forms 1151, 1153, and 1155 differ regarding building versus contents coverage, and under what conditions does condominium Loss Assessment coverage pay?

Summary: Summarize the core framework of Homeowners forms in three sentences: first, outline the coverage tiering for buildings and personal property across the three forms (1151, 1153, and 1155); second, explain the two categories of special limits (all losses vs. theft only) and the rule of deducting the deductible first; third, explain the two vacancy clocks and the 4–day winter heating absence condition.

Chapter 7 · Commercial Property Insurance

Commercial P1 Must score Commercial Property · practice paper 15 · 13 mock questions

Read with these questions: Under which category of a commercial property policy are interior improvements funded by a tenant insured?; When a partial fire loss occurs and the 80% coinsurance requirement is not met, how much must the insured bear?; If an employee driving a company vehicle damages the insured's own building, does the Broad Form or the Named Perils Form cover the loss?; If a clerk faints on the way to the bank and the cash deposit is taken, which crime coverage responds to the loss?; If a fire shutdown causes customers to switch to competitors, which business interruption form pays until revenue fully recovers?

How it is tested

- Scenario classification questions: Given specific items (such as tenant–funded improvements, live lobby palm trees, potted plants for sale, routine maintenance paint, or major construction lumber), determine whether they belong to building, stock, or equipment, testing insurable interest and usage boundaries.
- Coinsurance arithmetic and waiver questions: Given the actual cash value (ACV) of a building or stock, an 80% coinsurance requirement, the insurance amount carried, and a partial loss amount, test the Did divided by Should times Loss formula and the coinsurance waiver threshold (the lesser of 2% of the applicable limit or $5,000), frequently trapping candidates by asking how much the insured must bear rather than what the insurer pays.
- Form and exclusion comparison questions: Compare coverage between the Named Perils Form (IBC 4036) and the Broad Form (IBC 4037), testing the five additional coverages provided by the Broad Form (such as vehicle impact by an employee, frozen ruptured plumbing pipes, and collapse from snow load) as well as perils excluded under both forms (such as earthquake, flood, sewer backup, agricultural smudging, and industrial smoke).
- Crime coverage and off–premises property evidentiary standard questions: Using scenarios such as nighttime break–ins, a clerk fainting on the way to make a bank deposit while the money bag is taken, and unattended vehicle thefts, test the strict evidentiary conditions required for burglary, robbery, theft, and the Locked Vehicle Warranty.
- Business interruption and specialty endorsement matching questions: Presenting business closure losses, police street closures due to neighboring fires, explosions of pressure vessels exceeding 15 psi, or construction site cessations exceeding 30 consecutive days, test the trigger boundaries for the Earnings Form, Profits Form, Extra Expense insurance, Boiler and Machinery insurance, and Builder's Risk coverage.

Traps (watch for the signal)

Switching the question (insurer payout vs insured share): The stem ends with phrases such as how much must the insured bear, absorb, pay out of pocket, or what is the insured's share of the loss.

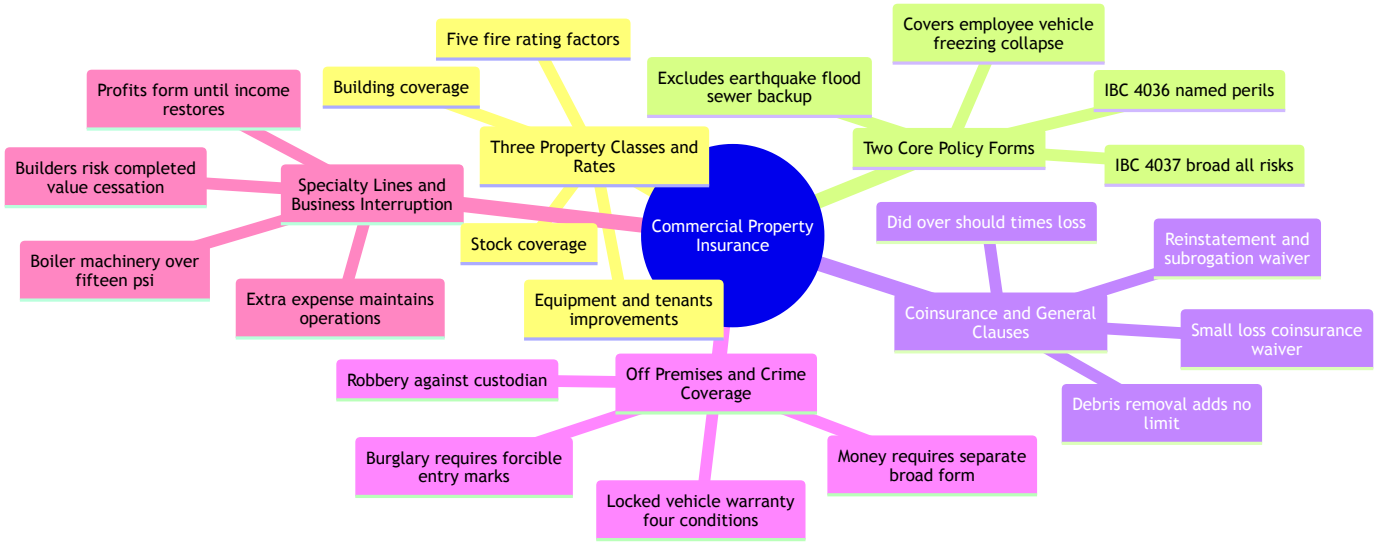
Misclassifying tenant's improvements and plants: The stem mentions tenant's improvements, previous tenant, silk plants, outdoor trees, or major renovation materials.

Incorrectly applying the coinsurance penalty to small losses: The stem describes a small partial loss (under $5,000) while also providing an underinsured policy limit and asset value.

Assuming the Broad Form covers everything: The stem highlights an IBC 4037 Broad Form policy, followed by distractors such as sewer backup, industrial smoke, cash stolen, or employee count affecting fire rates.

Missing required evidence for crime and locked vehicle claims: The stem mentions no visible marks of forcible entry, unlocked window, open flatbed truck, or custodian unconscious.

Mind map


Commercial Property Insurance
Three Property Classes and Rates
Five fire rating factors
Building coverage
Stock coverage
Equipment and tenants improvements
Specialty Lines and Business Interruption
Profits form until income restores
Builders risk completed value cessation
Boiler machinery over fifteen psi
Extra expense maintains operations
Two Core Policy Forms
Covers employee vehicle freezing collapse
Excludes earthquake flood sewer backup
IBC 4036 named perils
IBC 4037 broad all risks
Coinsurance and General Clauses
Did over should times loss
Reinstatement and subrogation waiver
Small loss coinsurance waiver
Debris removal adds no limit
Off Premises and Crime Coverage
Robbery against custodian
Burglary requires forcible entry marks
Locked vehicle warranty four conditions
Money requires separate broad form

Chapter 7Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Three commercial property classes and tenant's improvements	building / stock / equipment / tenant's improvements	Stock plus equipment is collectively termed contents, and all three classes combined are termed all property; improvements made at the tenant's expense or purchased from a prior tenant are classified under equipment because the tenant is not the building owner.
Differences between Named Perils Form and Broad Form	Named Perils Form (IBC 4036) / Broad Form (IBC 4037)	IBC 4036 covers only eight named perils (no theft, no general water damage); IBC 4037 covers five additional areas over IBC 4036, including vehicle impact by owned or employee vehicles, non-agricultural and non-industrial smoke, frozen ruptured water pipes, theft, and collapse, but earthquake, flood, seepage, sewer backup, and defective workmanship remain excluded.
Five underwriting factors of the basic fire rate	basic fire rate / loading	The basic fire rate is calculated per $100 of insurance (with an additional loading added for Broad Form coverage), and underwriting considers only five factors: construction, public and private protection, occupancy, location, and loss experience over the past five years, excluding staff headcount and business revenue.
Coinsurance clause calculation and waiver threshold	co-insurance / waiver of co-insurance	Coinsurance applies only to partial losses, with payment calculated as insurance carried (Did) divided by insurance required (Should) multiplied by loss (capped at the lesser of this calculation, the policy limit, or the actual loss); if the loss does not exceed the lesser of 2% of the applicable limit or $5,000, coinsurance is waived and paid in full.
Debris removal, reinstatement, and subrogation waiver	debris removal / reinstatement / subrogation	Debris removal covers windblown debris from external property but does not increase the policy limit (no debris removal is paid if the limit is exhausted); policy limits are automatically reinstated after a loss without additional premium; subrogation is waived against payees, partners, and subsidiary companies having an interest in the policy.
Protective safeguards notification duty and Locked Vehicle Warranty	protective safeguards / Locked Vehicle Warranty	The insured has a duty of immediate notification only for known protective safeguard defects, maintenance contract cancellations, or police suspension of response due to false alarms; theft from an unattended vehicle in transit strictly requires four conditions: fully enclosed body, locked doors, closed windows, and visible marks of forcible entry.
Three crime coverage types and money and securities coverage	burglary / robbery / theft / Money and Securities (Broad Form)	Burglary requires proof of visible marks of forcible entry or exit; robbery requires proof of actual or threatened violence against a custodian, taking while the custodian is killed or unconscious, or taking witnessed by the custodian; money and securities are excluded under all standard property forms and require separate coverage under Money and Securities (Broad Form).
Boundaries of Boiler and Machinery and Builder's Risk	Boiler and Machinery / Builder's Risk (IBC 4042)	Explosion of pressure vessels exceeding 15 psi and mechanical or electrical breakdown fall under Boiler and Machinery insurance (inspectors discovering imminent danger may suspend coverage immediately without notifying mortgagees); Builder's Risk is insured on a completed value basis, excludes contractor tools, and terminates if work ceases for more than 30 consecutive days or upon occupancy.
Comparison of Business Interruption and Extra Expense insurance	Earnings Form / Profits Form / Extra Expense (IBC 4027)	Business Interruption requires actual property damage by an insured peril (with an exception for civil authority access denial), generally provides 12 months of indemnity, and is not limited by policy expiration; the Earnings Form pays until property is repaired, the Profits Form pays until income is restored to pre-loss levels, and Extra Expense does not require proof that expenses reduced the loss.
Exam rules on coinsurance warning stamping and limitation period	limitation period / co-insurance stamping	Under the exam standard, limitation clauses must bear a warning stamped in red ink on the first page (while current BC law requires conspicuous bold lettering), and the limitation period under Commercial Property Policy Condition 14 is one year from the date of loss (while the current BC Insurance Act allows two years from when the insured knew or ought to have known).

Self-test cues (Cornell left column)

1. How are tenant-funded interior improvements, live plants in a store lobby, and routine maintenance materials classified among building, stock, and equipment?

2. Which five categories of loss does the IBC 4037 Broad Form cover beyond the IBC 4036 Named Perils Form, and which types of water and smoke damage remain excluded?
3. How is the coinsurance formula structured, and under what conditions is the coinsurance waiver (the lesser of 2% of the limit or $5,000) triggered?
4. What are the core evidentiary differences among burglary, robbery, and theft when proving a claim?
5. How long do the Profits Form, Earnings Form, and Extra Expense insurance pay, and which types of businesses does each form suit?

Summary: In your own words, describe how building, stock, equipment, debris removal, and business interruption are assessed and paid following a store fire, and identify the threshold conditions under which the coinsurance clause applies or is waived.

Chapter 8 · Principles of Legal Liability

Property & Liability | P2 Hold steady | Principles of Legal Liability · practice paper 8 · 7 mock questions

Read with these questions: When statute law conflicts with an established judicial precedent, which body of law must civil courts apply first?; What three essential elements must be met to succeed in a tort lawsuit, and can a moral duty form the basis of a tort?; Which activities are subject to strict liability without proof of fault, and does general liability insurance cover them?; What standards of care do commercial occupiers owe to ordinary retail customers versus young children?; Under what exception scenarios can an employee commit a tort without the employer incurring vicarious liability?

How it is tested

- Qualifier substitution questions (identifying the false statement): Replacing legal duty with moral duty, ordinary care with highest care, or generally with always within four common law rule statements, specifically testing whether candidates have memorized the precise boundaries of each legal rule.
- Statute law versus common law distinction questions: Misattributing based on precedent to statute law, or testing which source of law takes priority when an enacted statute conflicts with an earlier common law precedent.
- Entrant category and duty of care matching questions: Providing specific scenarios of persons entering premises (such as retail customers, meter readers, trespassers, children attracted by allurements, or visitors under four provincial statutes), requiring candidates to identify the corresponding standard of care owed by the occupier.
- Vicarious liability and independent contractor boundary questions: Using factual scenarios such as delivery workers running personal errands, unauthorized job delegation, or owners interfering with and directing contractor work, testing whether an act occurred in the course of employment and the three exceptions triggering shared liability.
- Special legal parties (landlords, bailees, joint tortfeasors, animal owners, and parents) default rules and exception questions: Testing default positions of non–liability or customary trade standards, followed by statutory exception conditions triggering legal liability (such as failure to repair after reasonable notice, liability for a domestic dog from the first bite, and four parental liability exceptions).

Traps (watch for the signal)

Qualifier substitution trap: The stem asks Which statement is FALSE or NOT true, and options contain absolutist or exaggerated terms such as moral duty, highest degree of care, all sources of loss, or always responsible.

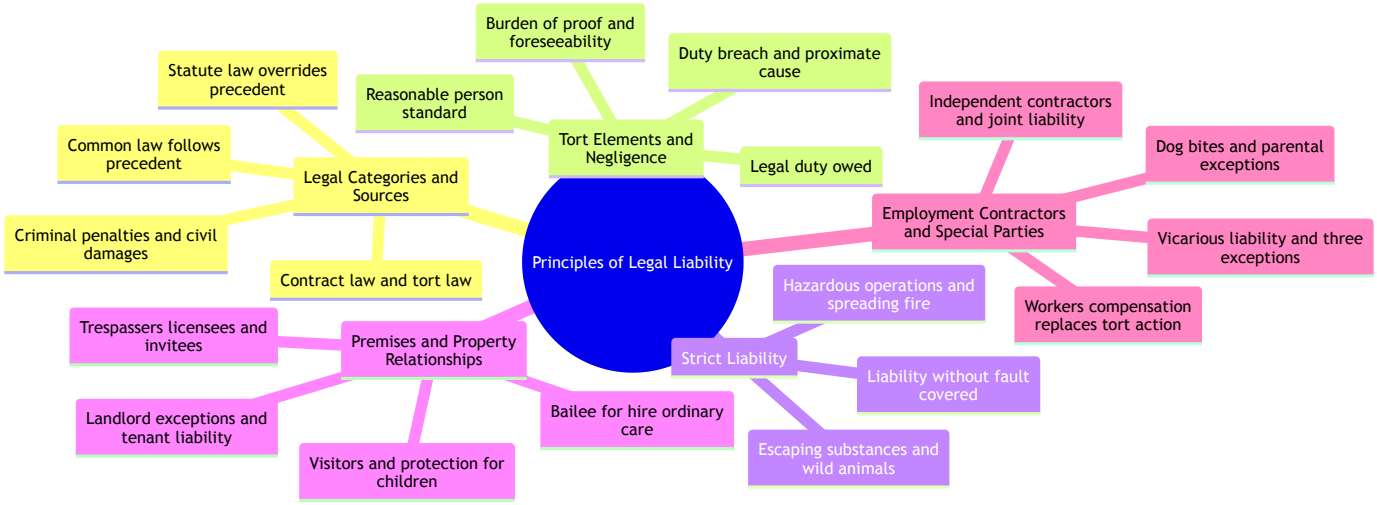
Misattributing legal source characteristics: The stem focuses on the definition of statute law or common law, the reduction of the age of majority from 21 to 18 or 19, or asks which body of law can establish rules in areas with no prior court decisions.

Entrant duty of care mismatch: The stem specifies the entrant's status (trespasser, licensee, invitee, visitor, or children) or mentions an attractive nuisance or allurement.

Confusing course of employment with contractor control: The stem describes an employee using equipment after hours, delegating duties to an outsider, taking private jobs at lunch, or an owner providing defective tools and directing specific construction methods.

Equating strict liability with claim denial: The stem mentions Rylands v. Fletcher, dangerous activities, escape of dangerous substances, wild animals versus domestic dogs, or asks whether liability policies cover strict liability.

Mind map


Principles of Legal Liability
Tort Elements and Negligence
Burden of proof and foreseeability
Duty breach and proximate cause
Reasonable person standard
Legal duty owed
Legal Categories and Sources
Statute law overrides precedent
Common law follows precedent
Criminal penalties and civil damages
Contract law and tort law
Employment Contractors and Special Parties
Independent contractors and joint liability
Dog bites and parental exceptions
Vicarious liability and three exceptions
Workers compensation replaces tort action
Premises and Property Relationships
Trespassers licensees and invitees
Landlord exceptions and tenant liability
Visitors and protection for children
Bailee for hire ordinary care
Strict Liability
Hazardous operations and spreading fire
Liability without fault covered
Escaping substances and wild animals

Chapter 8Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Criminal Law versus Civil Law division and insurability	Criminal Law vs. Civil Law (Private Law)	Criminal law addresses wrongs against society and punishes offenders through fines, probation, and imprisonment, with insurance never covering the financial consequences of criminal acts; civil law resolves private disputes with the goal of awarding financial damages to compensate the injured party.
Priority relationship between Common Law and Statute Law	Common Law (Precedent) and Statute Law	Provinces outside Quebec operate under common law based on the rule of precedent; statute law is written law enacted by parliament or provincial legislatures that, once passed, takes priority over any conflicting common law precedent on the same subject.
Three essential elements of a tort	Three Elements of a Tort	Every successful tort action must satisfy three concurrent elements: the defendant owed a legal duty to the plaintiff (a legal duty, not merely a moral duty), that duty was breached by an act or omission, and the damage suffered was the direct result and proximate cause of the breach.
Standard of negligence and two additional requirements	Negligence, Reasonable Person, and Foreseeability	Negligence is doing what a reasonable person would not do or failing to do what a reasonable and prudent person would do; beyond the three basic tort elements, the plaintiff must prove the defendant was negligent, and the consequences must have been reasonably foreseeable.
Three categories of strict liability activities and insurance coverage	Strict Liability (Rylands v. Fletcher)	Conducting a reasonable activity in an unreasonable location, engaging in inherently dangerous activities, and allowing a deliberately lit fire to spread (along with the escape of dangerous substances and keeping wild animals) trigger strict liability without proof of fault; standard liability insurance covers these claims unless specifically excluded.
Occupier duty of care owed to different classes of entrants	Occupier's Liability (Trespasser, Licensee, Invitee, Visitor, Children)	Under traditional common law, occupiers owe trespassers only a duty not to set deliberate traps or intentionally cause harm, owe licensees protection against known concealed dangers, owe invitees protection against both known dangers and those discoverable with reasonable care, and must keep premises free from any danger for children; under statutes in BC, Alberta, Ontario, and Nova Scotia, licensees and invitees are merged into visitors, requiring reasonable care to keep them reasonably safe.
Liability standards for landlords, tenants, and bailees for hire	Landlord, Tenant, and Bailee for Hire (Ordinary Care)	Landlords do not warrant that premises are fit for purpose by default (except for express warranty, concealed defects, furnished rentals, failure to repair after reasonable notice under contract, and multi-tenant common areas); tenants are liable to landlords in tort or contract; bailees for hire must exercise ordinary care matching the standards of others in the same trade.
Three exceptions to vicarious liability and workers compensation	Vicarious Liability and Workers' Compensation	Employers are vicariously liable for torts committed by employees in the course of employment, but are excused when an employee delegates work without authority, embarks on a frolic of their own, or uses employer property without permission; workers covered by workers compensation receive no-fault benefits and surrender the right to sue the employer, while exempt industries require an Employer's Liability Rider or voluntary enrollment.
Independent contractor shared liability exceptions and joint tortfeasors	Independent Contractor and Joint Tortfeasors	An occupier who exercises reasonable care in selecting an independent contractor for necessary work is generally not liable, but must share liability if the work is inherently dangerous, if the occupier supplies defective equipment, or if the occupier controls how the work is performed; when joint tortfeasors dispute fault proportions, each remains liable to the plaintiff for the full award (normally paying half initially in practice).
Animal liability and four exceptions for child and parent liability	Domestic/Wild Animals and Liability of Children/Parents	Under exam rules, domestic dogs have no free first bite (derived from Ontario law) and wild animals carry strict liability; children who appreciate the consequences of their actions are personally liable, and parents are generally not liable unless they fail to supervise, entrust a dangerous object or animal to the child, direct the act, or employ the child in the family business.

Self-test cues (Cornell left column)

1. How do the remedial objectives of criminal law and civil law differ, and why does statute law take priority when it conflicts with common law?
2. What three essential elements must be established for a tort action to succeed, and what two additional requirements must be met to prove negligence?
3. Which three categories of activities and two special situations trigger strict liability, and does a standard liability policy cover strict liability claims?
4. What specific standard of care does an occupier owe to trespassers, licensees, invitees, visitors under four provincial statutes, and children?
5. What are the three exceptions excusing an employer from vicarious liability, the three exceptions creating shared liability with independent contractors, and the four situations where parents are liable for children?

Summary: In your own words, summarize the complete analysis chain of a tort claim: determining whether a legal duty is owed, establishing whether liability is based on negligence or strict liability, and identifying which party ultimately pays across the nine legal relationships, including all exceptions for non-liability and shared responsibility.

Chapter 9 · Introduction to Liability Insurance

Property & Liability | P3 Skim | Introduction to Liability Insurance · practice paper 4 · 4 mock questions

Read with these questions: What does a liability insuring agreement cover, and is the loss of use of undamaged tangible property included?; Does an insured's admission of fault trigger a liability policy, and who holds the legal authority to determine liability?; How does an occurrence basis differ from an accident, and does long-term repeated exposure such as continuous smoke exposure qualify as an occurrence?; What are the insured's five post-loss duties, and what is the sole exception to the prohibition on voluntary payments?; Which four expenses qualify as supplementary payments beyond policy limits, and how is post-judgment interest calculated when an award exceeds limits?

How it is tested

- Negative elimination questions (Which statement does NOT apply): The official practice exam features 4 consecutive questions of this type for this chapter, targeting the five points of the insuring agreement, occurrence basis and limits, the insured's five post-loss duties, and the four supplementary payments, testing whether candidates can immediately identify spurious rules mixed into the options.
- Boundary determination questions for property damage and bodily injury: Presenting a real-life or business scenario (such as extra living expenses for an undamaged but unusable neighboring building, or subsequent illness or death occurring months after an injury), testing whether it falls under the policy definitions of bodily injury or property damage.
- Two-step limit calculation questions: Providing amounts for multiple claims or multiple injured claimants from a single accident, testing claim payout calculations under a per occurrence limit, aggregate limit, or split limits to verify the sequence of 'capping per occurrence or per person first, then checking the aggregate or single-accident total'.
- Post-loss duties and breach scenario questions: Describing situations where an insured fails to report an incident assuming the other party was unharmed, pays cash on the spot to settle, or attempts to prevent the claimant from filing, testing which actions breach policy conditions and why first aid expenses are the sole exception.
- Supplementary payments classification questions: Listing defence costs, court costs, post-judgment interest, and judgment awards exceeding policy limits, testing which items are paid over and above the policy limit and which must be absorbed out-of-pocket by the insured.

Traps (watch for the signal)

Excluding Loss of Use from Property Damage: The question stem or options contain phrases like 'only covers physical repair or replacement' or 'excludes loss of use', or ask how a neighbor's temporary rent and pet boarding costs caused by a fire are classified.

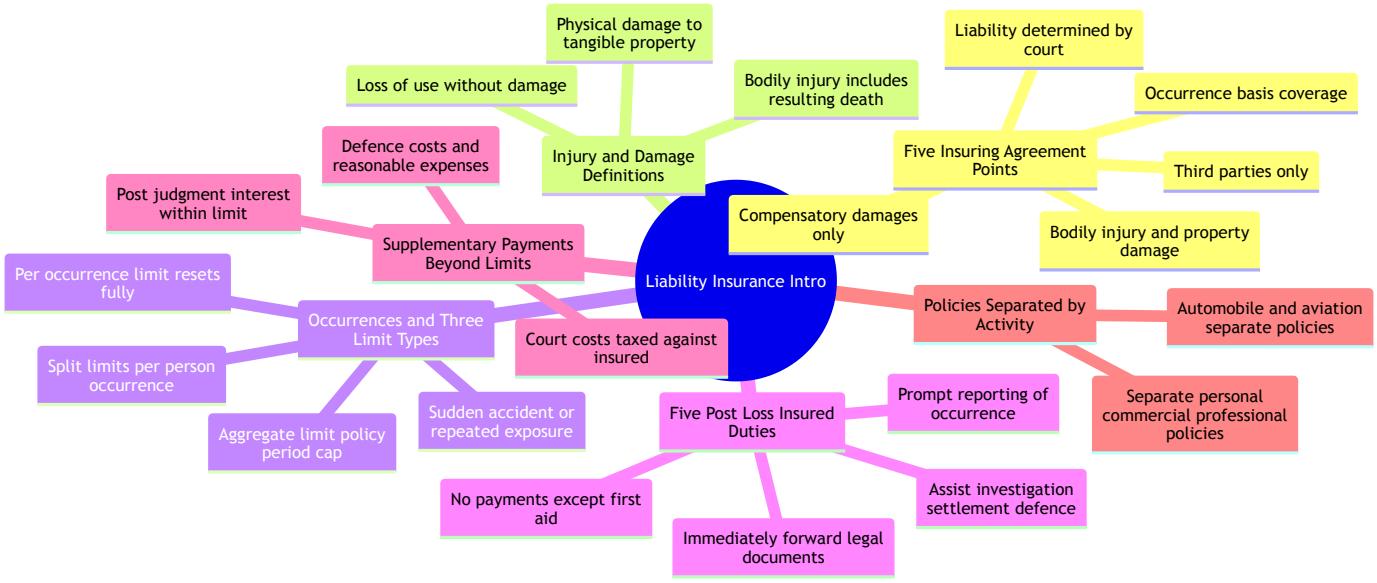
Moral Obligation and Voluntary Admission of Liability Trap: The question stem mentions 'morally responsible', 'insured admits fault', 'pays cash on the spot to settle', or asks who ultimately determines whether the insured is legally liable.

Mistaking Per Occurrence Limit for Policy Period Total: Options describe the per occurrence limit as the 'maximum paid for all occurrences during the policy period', or the stem presents a series of dollar amounts for three occurrences or three injured parties.

Confusing Punitive Damages and Excess Judgments with Covered Policy Benefits: Options list compensatory, punitive, and exemplary damages together, or claim that supplementary payments cover judgments in excess of the policy limit.

Waiting for a Claim Before Reporting or Forcibly Preventing Claims: The question stem states that the injured party claimed to be unhurt so no report was filed until a lawsuit was served weeks later, or an option includes 'prevent the third party from making a claim'.

Mind map


Liability Insurance Intro
Injury and Damage Definitions
Physical damage to tangible property
Loss of use without damage
Bodily injury includes resulting death
Five Insuring Agreement Points
Liability determined by court
Occurrence basis coverage
Third parties only
Bodily injury and property damage
Compensatory damages only
Supplementary Payments Beyond Limits
Defence costs and reasonable expenses
Post judgment interest within limit
Court costs taxed against insured
Occurrences and Three Limit Types
Per occurrence limit resets fully
Split limits per person occurrence
Aggregate limit policy period cap
Sudden accident or repeated exposure
Policies Separated by Activity
Automobile and aviation separate policies
Separate personal commercial professional policies
Five Post Loss Insured Duties
Prompt reporting of occurrence
Assist investigation settlement defence
Immediately forward legal documents
No payments except first aid

Chapter 9Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Core Promise of the Insuring Agreement	insuring agreement	The insurer agrees to pay compensatory damages that the insured becomes legally obligated to pay to a third party, provided the injury or damage is caused by an occurrence within the policy period and coverage territory.
Definitions of Bodily Injury and Property Damage	bodily injury (BI) / property damage (PD)	Bodily injury includes physical bodily harm, sickness, or disease, and resulting death; property damage includes physical injury to tangible property including resulting loss of use, as well as the loss of use of tangible property that has not been physically injured.
Coverage Limited to Third Parties	third party	A third party refers to any person or entity not named in the policy; injury suffered by the insured or damage to the insured's own property is excluded.
Legal Liability Determined by a Court	legally liable / out-of-court settlement	Moral obligations do not trigger the policy; whether the insured is legally liable is ultimately decided by a court of law, though the majority of cases are resolved through out-of-court settlements when evidence clearly favours the plaintiff.
Occurrence Basis and the Definition of Occurrence	occurrence / accident / occurrence basis	An occurrence is broader than a sudden and time-definite accident, also encompassing continuous or repeated exposure to substantially the same harmful conditions; coverage on an occurrence basis requires only that the bodily injury or property damage occurs during the policy period.
Per Occurrence Limit vs. Aggregate Limit	limit per occurrence / aggregate limit	The per occurrence limit resets and is fully available for each separate occurrence; when an aggregate limit applies, claims are first capped by the per occurrence limit and then subject to the remaining cumulative aggregate limit for the policy period.
Split Limits vs. Inclusive Limit	split limits / inclusive limit	An inclusive limit applies a single dollar amount combining bodily injury and property damage; split limits specify separate amounts for bodily injury per person, total bodily injury per occurrence, and property damage per occurrence, calculated by capping each person's claim first before applying the single-occurrence bodily injury total.
Compensatory Damages Covered Exclusively	compensatory damages / punitive or exemplary damages	Liability policies pay only compensatory damages intended to indemnify third parties for actual loss; punitive or exemplary damages awarded by a court to punish or deter wrongful conduct must be borne entirely out of pocket by the insured.
Five Post-Loss Duties and the First Aid Exception	notice of a claim / first aid / admission of liability	The insured must promptly report any occurrence that may give rise to a claim, immediately forward legal documents, authorize access to records, and assist in investigation, settlement, or defence; furthermore, the insured must not voluntarily make payments or assume obligations without consent, with emergency first aid at the time of the accident being the sole exception.
Four Supplementary Payments Beyond Policy Limits	supplementary payments / costs of defence / court costs	Costs of defence, reasonable expenses incurred at the insurer's request, court costs taxed against the insured, and interest accruing from the date of judgment calculated on the portion of the judgment within the policy limit are paid over and above the policy limit, typically without a specific monetary cap.

Self-test cues (Cornell left column)

1. Why does property damage in a liability policy extend beyond physical repair to include loss of use of undamaged tangible property?
2. Why does an insured's feeling of guilt fail to trigger coverage, and why must the insured never make private settlement payments at the scene?
3. How is an accident related to an occurrence, and why must occurrence-basis policies be properly retained after expiry?
4. What is the precise two-step calculation sequence when determining payouts under aggregate limits or split limits?
5. Which four expenses qualify as supplementary payments over and above policy limits, and how are principal and interest calculated when a judgment exceeds policy limits?

Summary: Summarize in three sentences: the five core points of the liability insuring agreement, the primary post-loss prohibitions for the insured (including the sole exception), and the rules governing which payments fall within versus outside policy limits.

Chapter 10 · Liability Insurance Policies

Property & Liability | P2 Hold steady | Liability Policies · practice paper 7 · 6 mock questions

Read with these questions: Which locations qualify as premises without being specifically listed?; Which type of loss under Coverage E exclusions is still covered?; Who is actually covered under Voluntary Medical Payments?; Does Coverage G pay if a child intentionally damages property?; Which hazard does a commercial business accident fall under?

How it is tested

- Scenario–based four–choice questions (making up the majority of exam questions for this chapter): Four scenarios of daily living or travel resulting in third–party bodily injury or property damage are presented, requiring candidates to filter out the single covered or excluded item through a four–step analysis: whether it involves ordinary personal activities or an insured premises; whether the victim is an eligible third party; whether any exclusions or exceptions are triggered; and which coverage among E, F, G, or H applies.
- Premises definition and qualifying location identification: Questions center on the five categories of locations automatically included as premises without being listed on the Coverage Summary, deliberately mixing in excluded locations such as vacant farmland, temporary rentals exceeding 90 continuous days, or unlisted owned seasonal residences to test whether candidates catch qualifying location conditions.
- Voluntary payment conditions check (Coverages F, G, and H): Questions directly test strict boundaries, including Coverage F (expenses incurred within 1 year, no–fault, excluding the insured and household residents) and Coverage G (intentional damage covered only if caused by an insured aged 12 or under, excluding property owned or rented by the insured or tenant).
- Numerical limits on special property and business pursuits exceptions: Testing power and length thresholds for owned versus non–owned watercraft, the attachment status of trailers, and the six automatic business pursuits exceptions that require no endorsement (part–time pursuits of insureds under age 21, maximum number of boarders, and maximum rented parking spaces or stalls).
- Commercial liability coverage matching and hazard classification: Presenting business occurrences (such as defective products sold, plumbing failures after completed operations, or wrongful tenant eviction) or professional mistakes, requiring precise matching among the seven CGL hazards, Malpractice Insurance, Errors and Omissions (E&O), S.P.F. No. 4 (Standard Garage Policy), and Umbrella Policies.

Traps (watch for the signal)

Confusing first–party with third–party coverage: The question stem or injury scenario mentions the insured, the insured's spouse, children residing in the household, or boarders.

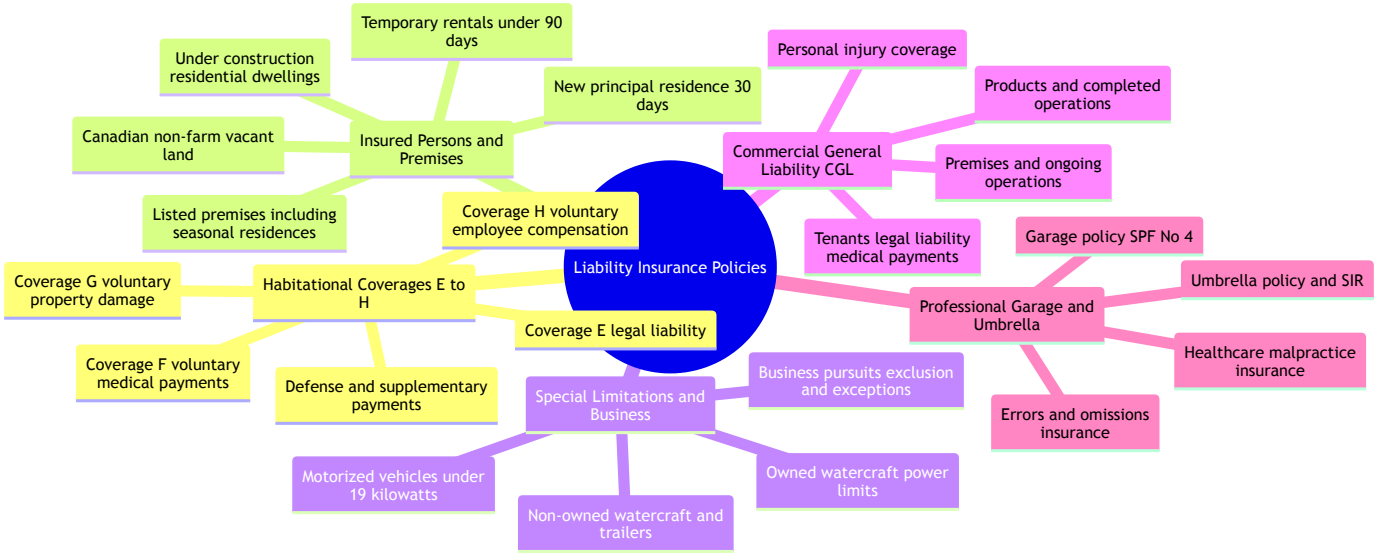
Premises automatic coverage boundaries: The question stem mentions vacant land for grazing or farming, seasonal cottage not listed, rented for more than 90 days, or vacant lot outside Canada.

Four–peril exceptions to care, custody or control exclusion: The question stem mentions borrowed tools or equipment, or rented premises or lodges paired with fire, explosion, water damage, or smoke from a fireplace.

Age and eligibility restrictions on voluntary coverages: The question stem explicitly states the child's exact age (such as 10–year–old, 11–year–old, or over 12) or an employment relationship involving a residence employee.

Mismatches between commercial hazards and professional liabilities: The question stem presents commercial scenarios with phrases like after the work was completed, defective product sold, wrongful eviction or slander, or professional titles like physician or broker.

Mind map


Liability Insurance Policies
Insured Persons and Premises
Temporary rentals under 90 days
Under construction residential dwellings
New principal residence 30 days
Canadian non-farm vacant land
Listed premises including seasonal residences
Habitational Coverages E to H
Coverage H voluntary employee compensation
Coverage G voluntary property damage
Coverage E legal liability
Coverage F voluntary medical payments
Defense and supplementary payments
Commercial General Liability CGL
Personal injury coverage
Products and completed operations
Premises and ongoing operations
Tenants legal liability medical payments
Professional Garage and Umbrella
Garage policy SPF No 4
Umbrella policy and SIR
Healthcare malpractice insurance
Errors and omissions insurance
Special Limitations and Business
Business pursuits exclusion and exceptions
Owned watercraft power limits
Non-owned watercraft and trailers
Motorized vehicles under 19 kilowatts

Chapter 10Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Four habitational policies with Section II liability coverage and four coverage sections	Section II — Liability Coverage (Coverages E, F, G, H)	Homeowners, Tenants, Condominium Unit Owners, and Mobile Homeowners forms all include Section II Liability Coverage: Coverage E provides worldwide legal liability coverage as a private citizen (sample limit $1,000,000), while Coverage F (common sample limit $5,000), Coverage G (sample limit table $500, usually capped at $1,000), and Coverage H (schedule of benefits) provide voluntary payments without requiring proof of legal liability and generally without a deductible.
Definition of premises and five categories of automatically included locations	Premises	Principal premises must be described on the Coverage Summary page (including owned seasonal residences); five categories of locations are automatically included without being specifically listed: temporary residences occupied by an insured for not more than 90 consecutive days (dependent students attending school in Canada are exempt from the 90-day limit), newly acquired principal residences in Canada (for up to 30 continuous days, policy expiry, or date other insurance is secured, whichever comes first), individual or family cemetery plots or burial vaults, vacant non-farm land owned or rented in Canada, and land in Canada where an independent contractor is building a one, two, or three-family dwelling for insured occupancy.
Coverage E scope, six exclusions, and three key exceptions	Coverage E — Legal Liability	Covers compensatory damages the insured is legally obligated to pay worldwide as a private citizen for unintentional bodily injury or property damage; three key exceptions to the six exclusions are frequently tested: liability assumed under a written contract relating to the premises, unintentional damage to premises and contents owned by others caused by fire, explosion, water damage, or smoke from faulty heating or cooking equipment (excluding fireplaces), and bodily injury to residence employees arising out of insured negligence in the course of employment.
Duty to defend, supplementary payments, and excess insurance rule	Defense, Settlement, Supplementary Payments	The insurer defends any suit against the insured alleging bodily injury or property damage even if the suit is groundless, false, or fraudulent, and pays counsel fees, bond premiums, emergency medical aid, and reasonable expenses incurred at the insurer's request (including actual loss of earnings up to $100 per day), all payable in addition to the policy limit; if other insurance applies, this coverage acts as excess insurance.
Trigger and three exclusions of Coverage F Voluntary Medical Payments	Coverage F — Voluntary Medical Payments	Pays reasonable medical, surgical, dental, hospital, nursing, ambulance, and funeral expenses incurred within 1 year of the accident date when an insured unintentionally injures a person or an accident occurs on an insured premises, regardless of fault or legal liability; excludes expenses covered by any other medical or hospital plan, bodily injury to the insured or household residents (except residence employees), and persons covered by workers' compensation legislation.
Coverage G Voluntary Payment for Damage to Property and the age 12 rule	Coverage G — Voluntary Payment for Damage to Property	Voluntarily pays for direct property damage unintentionally caused by an insured without requiring legal liability, or direct property damage intentionally caused by an insured aged 12 or under; excludes property owned or rented by an insured or an insured's tenant, property covered under Section I, and loss of use, disappearance, or theft.
Coverage H Voluntary Compensation for Residence Employees and release of claim	Coverage H — Voluntary Compensation for Residence Employees	Occasional residence employees are covered automatically, while permanent residence employees must be listed on the Coverage Summary page; an employee accepting scheduled benefits must sign a release waiving the right to sue; if the employee refuses or sues the insured, the insurer may withdraw the offer of benefits, but Coverage E legal liability remains available.
Special limitations on watercraft, motorized vehicles, and trailers	Special Limitations — Watercraft, Motorized Vehicles and Trailers	Owned watercraft are automatically covered up to 12 kW (16 H.P.) combined for outboards, 38 kW (50 H.P.) for other motors, and 8 metres (26 feet) for non-motorized boats, with newly acquired over-limit boats covered automatically for 30 days; non-owned watercraft of any size or power are covered for third-party liability but damage to the borrowed boat itself is excluded; self-propelled lawn mowers, snow blowers, or garden tractors are capped at 19 kW (25 H.P.); golf carts are covered only while in use on a golf course; trailers are covered only when not attached to, carried on, or towed by a registered motor vehicle.

Business pursuits exclusion and six automatic exceptions	Business Pursuits Exclusion and Exceptions	Business pursuits conducted for profit and professional services are excluded by default, but six exceptions remain covered: personal acts during business hours not directly related to the business, occasional rental of the portion usually occupied by the insured, rental of part of an insured two– or three–family dwelling (up to 2 roomers or boarders per family), rental of space for an incidental office, school, or studio, rental or offering for rent of not more than 3 car spaces or stalls, and temporary or part–time business pursuits of an insured under age 21.
Commercial General Liability seven hazards, professional, garage, and umbrella policies	CGL, Malpractice, E&O, S.P.F. No. 4, Umbrella Policy	Commercial General Liability (CGL) covers premises, ongoing operations, medical payments, tenants' legal liability, products liability (goods sold), completed operations (after handover), and personal injury (libel, slander, false arrest, or wrongful eviction); healthcare practitioners require Malpractice Insurance, while advisory consultants and insurance brokers require Errors and Omissions (E&O); automobile garages require S.P.F. No. 4 (Section A third–party liability, Section E physical damage to customers' vehicles in care, custody or control); Umbrella Policies provide excess limits and broaden coverage for primary policy exclusions, subject to a Self–Insured Retention (SIR, typically $10,000 to $25,000 commercial, $500 to $1,000 personal) when dropping down to fill an exclusion gap.

Self–test cues (Cornell left column)

1. Which locations are automatically included as premises under Section II without being listed on the Coverage Summary page, and what specific restrictions apply to vacant land and temporary residences?
2. What is the fundamental difference regarding legal liability between Coverage E and the voluntary coverages F, G, and H, and what exception does Coverage G make for intentional property damage?
3. Under what specific conditions does Coverage E provide an exception to cover third–party property that is within the insured's care, custody, or control?
4. How do coverage conditions differ between owned and non–owned watercraft, and under what conditions are self–propelled mowers and trailers covered?
5. How are ongoing operations, completed operations, and products liability distinguished in a CGL policy, and what are the coverage differences between personal injury and bodily injury, as well as between Malpractice and Errors and Omissions?

Summary: In your own words, summarize how Section II of a habitational policy uses Coverages E, F, G, and H to guard the worldwide daily liability boundaries of a private citizen, and explain which commercial or specialized liability policies must be selected when business pursuits, professional services, automobile garages, or excess exposure are involved.

Chapter 11 · Accident and Sickness Insurance and Travel Insurance

A&S / Travel P3 Skim Accident, Sickness & Travel · practice paper 2 · 2 mock questions

Read with these questions: What percentage of net earnings does workers' compensation pay for temporary disability?; How does choosing a longer elimination period affect the premium?; Can a policy still be declared void for concealed medical history after two years?; Does group disability coverage continue after an employee resigns?; Which factor is not considered when pricing travel insurance?

How it is tested

- Direct list–elimination questions (such as asking which factor is not used in pricing travel insurance, or which item is not a characteristic of an individual A&S contract), essentially testing precise memorization of high–frequency element lists and typical non–factors (such as mode of transportation).
- Short injury or sickness scenarios testing the coverage boundaries between workers' compensation plans and individual or group A&S (e.g., injury while performing work duties vs. accident while commuting from work, industrial disease vs. naturally occurring illness), essentially testing the principle that workers' compensation covers only work–related injuries and diseases along with exam–standard benchmark figures.
- Inverse relationship deductions between premium rates and scope of coverage (comparing different disability definitions, lengths of elimination periods, lengths of benefit periods, and cancellable versus non–cancellable policies), essentially testing how the cost of claims determines premium levels for disability income policies.
- Questions on the two statutory exceptions to the two–year incontestability period (fraudulent misrepresentation vs. misstatement of age) as well as rules governing insurable interest and unpaid premiums, essentially testing the ability to distinguish between the different legal consequences of fraudulent deception and simple age misstatements.
- Comprehensive family travel or mid–trip illness scenarios testing travel insurance provisions and common exclusions (age and student status conditions for dependent children, pre–existing condition stability periods, pre–departure vs. post–departure dividing line between trip cancellation and trip interruption, pregnancy and professional sports exclusions), essentially testing practical application of multi–condition criteria.

Traps (watch for the signal)

Confusing the consequences of fraud and age misstatement: The question stem mentions an application misstatement discovered after two years (incontestability), concealment of medical history (fraudulent misrepresentation), or an incorrect age (misstatement of age).

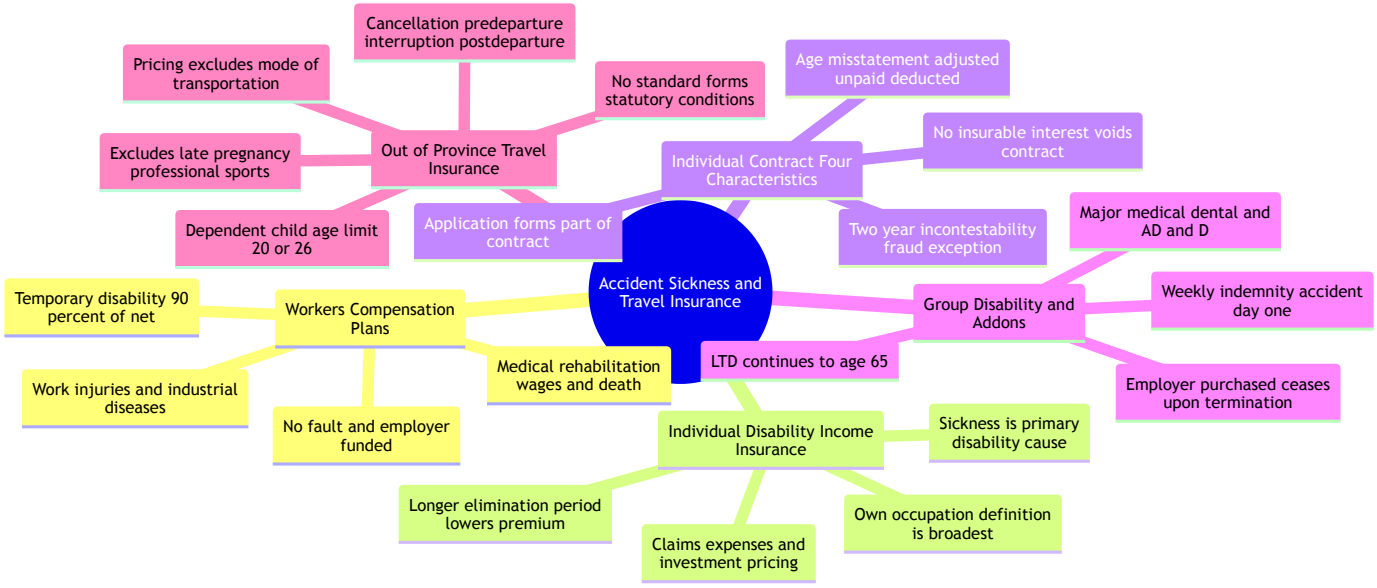
Reversing the impact of elimination periods and disability definitions on premiums: The question stem asks how to reduce the premium for a client, select the broadest coverage, or compare which policy continues full benefits if the insured switches to another occupation.

Confusing work–related vs. non–work–related injuries and group weekly indemnity start dates: The question stem describes an employee injured off the job, taking short–term sick leave for a common cold or flu, or asks who pays workers' compensation premiums and what earnings base is used for benefits.

Injecting mode of transportation into travel insurance pricing or misjudging dependent children: The question stem asks which factor is not used in travel insurance underwriting and pricing, or features a claim involving an adult child over age 20 not enrolled in school, or over age 26, under a family policy.

Reversing trip cancellation vs. interruption and misapplying exclusion boundaries: The question stem features clear timing benchmarks (prior to departure vs. during travel), childbirth within 8 weeks of the expected delivery date, high–risk pregnancy, or travel claims such as acute food poisoning.

Mind map


Accident Sickness and Travel Insurance
Out of Province Travel Insurance
Cancellation predeparture interruption postdeparture
Pricing excludes mode of transportation
No standard forms statutory conditions
Excludes late pregnancy professional sports
Dependent child age limit 20 or 26
Application forms part of contract
Individual Contract Four Characteristics
Age misstatement adjusted unpaid deducted
No insurable interest voids contract
Two year incontestability fraud exception
Workers Compensation Plans
Temporary disability 90 percent of net
Work injuries and industrial diseases
No fault and employer funded
Medical rehabilitation wages and death
Group Disability and Addons
Major medical dental and AD and D
Weekly indemnity accident day one
Employer purchased ceases upon termination
LTD continues to age 65
Individual Disability Income Insurance
Sickness is primary disability cause
Longer elimination period lowers premium
Claims expenses and investment pricing
Own occupation definition is broadest

Chapter 11Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Causes of disability and proportion of non-work-related accidents	disability / Accident and Sickness Insurance (A&S)	Before age 65, one out of three people will suffer a disability lasting longer than 90 days (averaging more than 2 years); sickness is the primary cause of disability, and more than 90% of accidents are not work-related.
Core principles of workers' compensation plans and four categories of benefits	workers' compensation / no fault benefits / net earnings	Workers' compensation plans cover only work-related accidents and industrial diseases; premiums are paid entirely by employers, employees receive no-fault benefits and waive the right to sue employers (no pain and suffering compensation), and temporary disability benefits pay 90% of net earnings starting from day 1.
Comparison of three tiers of disability definitions	own occupation / regular occupation / any occupation	Own occupation is the broadest definition, paying full benefits if the insured cannot perform the duties of their own occupation even if they engage in another occupation; any occupation is the narrowest definition, paying no benefits if the insured can engage in any occupation commensurate with their education, training, experience, or earnings.
Rules governing elimination periods and benefit periods	elimination period / benefit period	The elimination period is the self-insured waiting period between the onset of disability and the start of benefit payments, where a longer elimination period lowers the premium; the benefit period (1, 2, 5, 10 years, or to age 65) terminates upon the earliest of recovery, death, or the expiration of the benefit period.
Three pricing factors and policy types of individual disability insurance	non-cancellable / exclusion rider	Premiums are determined by cost of claims (including policy type, age, sex, occupation, personal history, and selected benefits), operating expenses, and investment income; under cancellable policies, the insurer can raise rates only for an entire class of insureds rather than singling out an individual, whereas under non-cancellable policies, premiums are guaranteed to age 65.
Four characteristics of individual A&S contracts and incontestability exceptions	incontestability / misstatement of age / insurable interest	The application forms part of the contract; lack of insurable interest at policy inception renders the contract void (written consent of the insured satisfies the requirement); unpaid premiums may be deducted from claim payments; after two years, statements become incontestable, but fraudulent misrepresentation can be challenged at any time (typically voiding the contract), while misstatement of age adjusts benefits or premiums to reflect the true age.
Group disability coverage structure and elimination periods	group insurance / weekly indemnity / Long Term Disability (LTD)	Group insurance is purchased by employers and automatically terminates upon an employee's cessation of employment; weekly indemnity (13, 26, or 52 weeks) begins on day 1 for accidents and on day 4, 8, or 15 for sickness, while Long Term Disability (LTD) attaches upon expiry of weekly indemnity and commonly pays to age 65.
Travel insurance policy terms and pricing factors	single trip / annual / coverage territory	Travel insurance has no standard policy forms but is governed by statutory conditions, with single-trip policies available up to 180 days and annual policies offering options of 30, 60, 90, or 180 days per trip; pricing is based on individual or family plan, single trip or annual, number of trips, duration, travel destination, policy limits, and age and health, but does not consider the mode of transportation.
Dependent children criteria and pre-existing condition stability periods	dependant child / pre-existing condition / stability period	Dependent children must be unmarried, residing in the household, and dependent on the insured for full support, under age 20 (under age 26 if attending an accredited educational institution, with no age limit for mental or physical disability); pre-existing conditions are not automatically covered, and some policies require a stability period of 3 or 6 months prior to departure.
Trip cancellation, trip interruption, and common travel insurance exclusions	trip cancellation / trip interruption / emergency	Trip cancellation covers inability to travel prior to departure due to a covered emergency or death of a specified family member, whereas trip interruption covers disruptions occurring after departure; common exclusions include pregnancy, miscarriage, or childbirth within 8 weeks of the expected delivery date or high-risk pregnancy, war, suicide, criminal acts, alcohol or drug abuse, professional sports, hazardous activities, AIDS, and expenses covered by workers' compensation.

Self-test cues (Cornell left column)

1. Why do most people still need to purchase individual or group A&S policies despite the existence of provincial workers' compensation plans, and what are the four categories of benefits and the 90% earnings base under workers' compensation?

2. What is the fundamental difference between the own occupation and any occupation definitions of disability, and how should an insured select the elimination period, benefit period, and disability definition to lower the premium of a disability income policy?
3. When an individual A&S policy has been in force for more than two years, what is the difference in outcome if the insurer discovers the applicant intentionally concealed a serious medical history versus if the applicant mistakenly misstated their age?
4. Why does group weekly indemnity begin on day 1 for accidents but require an elimination period of 4, 8, or 15 days for sickness, and what happens to group disability coverage after an employee resigns?
5. Which common distractor is not considered in underwriting and pricing travel insurance, and what are the age 20/26 rules for dependent children, the dividing line between trip cancellation and trip interruption, and the pregnancy exclusion cutoff weeks?

Summary: In three sentences, summarize the core points of this chapter: first, state the coverage scope and net earnings benefit percentage of workers' compensation plans; second, outline the pricing logic and contract characteristics of individual and group disability insurance; third, identify the pricing non-factors, dependent child criteria, and key exclusions of travel insurance.

Chapter 12 · Introduction to BC Automobile Insurance: Systems, ICBC, and Premiums

Automobile P1 Must score BC Auto: System & Premium · practice paper — · 6 mock questions

Read with these questions: Whose factor is used for the 25% in the combined driver factor?; Is fault still determined after the move to no–fault?; Which discount tier applies at a little over 7,000 km?; When an unlisted driver has a crash, how is the surcharge capped?; Where can you buy a lower deductible and higher liability limits?

How it is tested

- Concept pairing and distinction questions: directly testing distinctions between rate class (adjusting Basic premium by vehicle use) and rate group (adjusting own damage coverage by vehicle make and model characteristics), base premium and driver factor, and pure no–fault provinces (MB, QC) versus BC Enhanced Care, verifying whether candidates truly distinguish closely related terms.
- Negative elimination questions (EXCEPT / NOT): presenting four statements regarding the benefits of the ICBC system, the permitted scope of excess coverage sold by private insurers, or the trigger reasons for refuse–to–issue orders, requiring candidates to spot distractors such as age and gender rating, selling Basic insurance, or having too many insurance claims.
- Rule and ratio calculation questions: presenting household or business multiple–driver scenarios to calculate the combined driver factor (75% principal driver + 25% highest–risk listed driver), or calculating the Unlisted Driver Accident Premium (UDAP) based on 15 times the premium difference and applicable cap rules following an unlisted driver crash.
- Condition and threshold determination questions: testing eligibility boundaries in specific client scenarios for crash forgiveness (20 years of driving experience plus no chargeable claims in the last 10 years), new resident higher factors for the first 3 years and pre–BC crash exclusions, Low–Kilometre (<5,000 km) and Distance–Based (<10,000 km) discounts, and senior discounts (age 65, up to 6 days of commuting per month).
- Exam–standard priority questions: specifically framing questions around exam–standard benchmarks where they differ from subtle current regulatory adjustments, including the 30–day registration period for new residents, the 20–year BC driving experience requirement for crash forgiveness, the 10,000 km threshold for the Distance–Based discount, and the cap of 2 times the payable Optional premium for UDAP.

Traps (watch for the signal)

Confusing rate class with rate group: When the question stem mentions vehicle use or Basic premium adjustment, select rate class; only when it mentions vehicle make/model or own damage does it refer to rate group.

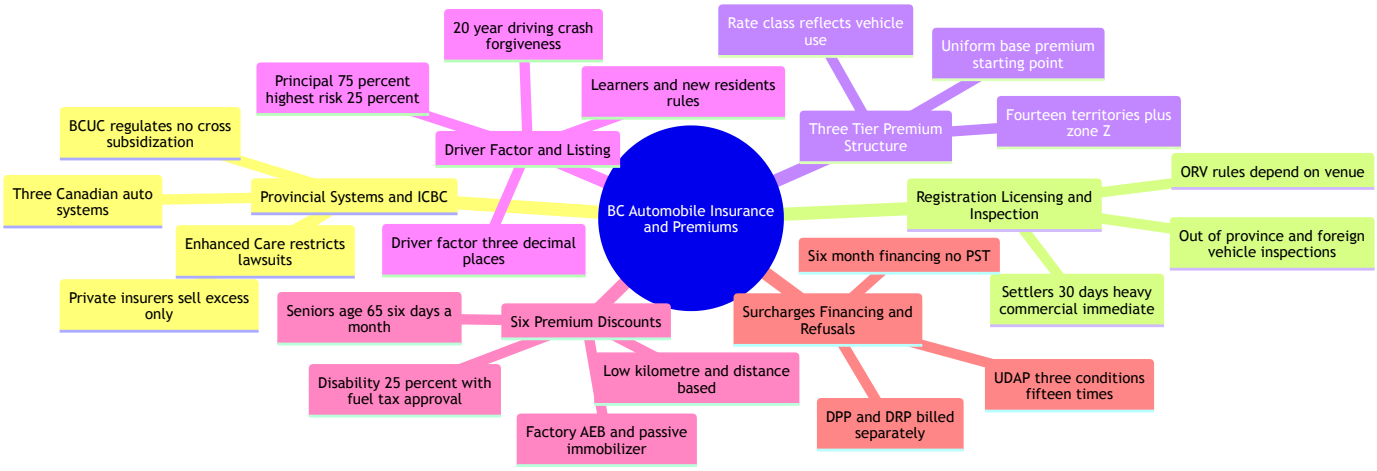
Mistakenly selecting the lowest–risk driver for the 25% combined factor or improperly lowering it: When multiple secondary drivers are listed, the 25% weight must take the highest–risk driver; if the secondary driver's factor is better than the principal driver's, verify whether that person is a family member or employee.

Misattributing fault to the owner for an unlisted driver crash or missing the UDAP caps: When an unlisted driver causes an at–fault claim, separate who has their record affected (the driver) from who pays the one–time UDAP surcharge (the owner, provided all three conditions are met).

Mismatching coverage types and mileage thresholds between the two mileage discounts: Associate 5,000 km with Low–Kilometre (10% on Basic); associate the 5,000—10,000 km range (e.g. 7,500 km) with Distance–Based (10—15% on Optional).

Confusing provincial insurance systems and exceeding permitted private insurer coverages: For government compulsory provinces, recognize only BC, SK, and MB; for BC private insurers, recognize only the three excess coverages and lower own–damage deductibles.

Mind map


BC Automobile Insurance and Premiums
Driver Factor and Listing
20 year driving crash forgiveness
Principal 75 percent highest risk 25 percent
Learners and new residents rules
Driver factor three decimal places
Provincial Systems and ICBC
BCUC regulates no cross subsidization
Three Canadian auto systems
Enhanced Care restricts lawsuits
Private insurers sell excess only
Three Tier Premium Structure
Rate class reflects vehicle use
Uniform base premium starting point
Fourteen territories plus zone Z
Registration Licensing and Inspection
ORV rules depend on venue
Out of province and foreign vehicle inspections
Settlers 30 days heavy commercial immediate
Six Premium Discounts
Seniors age 65 six days a month
Disability 25 percent with fuel tax approval
Low kilometre and distance based
Factory AEB and passive immobilizer
Surcharges Financing and Refusals
Six month financing no PST
UDAP three conditions fifteen times
DPP and DRP billed separately

Chapter 12Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Three provincial auto insurance systems in Canada and BC private insurer scope	compulsory government insurance / excess coverage	BC, SK, and MB operate compulsory government auto insurance plans (all with a minimum third-party liability limit of $200,000), while Quebec operates a hybrid system with government bodily injury and private property damage; BC private insurers may sell only three excess coverages (extended third-party liability, excess underinsured motorist protection, and own damage coverage), and lower collision deductibles are available only from private insurers.
ICBC status, BCUC regulation, and non-discriminatory pricing	Crown corporation / cross-subsidization	ICBC was established as a Crown corporation on April 19, 1973; since 2003, BCUC has regulated Basic insurance rates and prohibited cross-subsidization between Basic and Optional coverages; rates are determined by driving record rather than age, gender, or marital status.
Enhanced Care reform and no-fault fault determination	Enhanced Care / no-fault / at-fault driver	British Columbia implemented Enhanced Care on May 1, 2021, restricting the vast majority of lawsuits for bodily injury, death, and vehicle damage (applying equally to residents and non-residents), yet ICBC still determines fault percentages to govern vehicle damage settlements, driver factor adjustments, and UDAP assessments.
Registration and inspection rules for new residents and specialty vehicles	registration / off-road vehicle (ORV)	Under the exam standard, settlers bringing vehicles to BC must register, licence, and insure them within 30 days, commercial vehicles or trailers over 5,000 kg must be registered immediately, off-road vehicles operated solely on forest service roads must carry at least $200,000 in third-party liability insurance, and vehicles entering from outside Canada must pass both federal and provincial inspections.
Three-tier premium structure, territories, and rate classes	base premium / territory / rate class	Premiums start from a uniform base premium, adjusted by territory (14 provincial territories plus out-of-province Zone Z; passenger cars and motorcycles rated by garaging location, taxis and buses rated by operating territory), vehicle use rate class (over 150 rate classes), and regular drivers' records, followed by applicable discounts and surcharges.
Driver factor, crash forgiveness, and the 75/25 combined factor	driver factor / crash forgiveness / combined driver factor	The driver factor starts at 1.000, is calculated to three decimal places, and tracks a 40-year driving history; under the exam standard, 20 years of driving experience in BC with no chargeable claims during the 10-year scan period qualifies for one crash forgiveness; when multiple drivers are listed, the combined driver factor is calculated as 75% principal driver plus 25% highest-risk secondary driver, and a better secondary factor lowers the combined factor only if that driver is a family member or employee.
Rules for learners, new residents, unlisted drivers, and first responders	learner / new resident / unlisted driver / first responder	A single learner premium covers all learner drivers, with a second at-fault crash within a 10-year scan period cancelling the discount; new residents receive higher factors for their first 3 years based on up to 15 years of pre-arrival licensing history, ignoring pre-BC crashes and counting only at-fault crashes since March 1, 2017; an unlisted driver's at-fault crash is assigned to the driver; and a first responder crashing an emergency vehicle during an emergency call does not have their factor affected.
Conditions for six premium discounts and mileage proof timelines	Low-Kilometre / Distance-Based / passive immobilizer	On annual policies, the Low-Kilometre discount (<5,000 km) reduces Basic premium by 10%, while the Distance-Based discount (under the exam standard <10,000 km) reduces Optional premiums by 10—15%, requiring actual odometer proof submitted within 7 days and excluding motorcycles and collector vehicles; the senior discount requires age 65 or older, pleasure rating, and no more than 6 days per month of non-pleasure use; the disability discount reduces Basic premium by 25% (not automatic, driver need not be listed).
DPP, DRP, and UDAP surcharges and calculation caps	DPP / DRP / Unlisted Driver Accident Premium (UDAP)	DPP and DRP are billed separately from insurance policies and are charged even without vehicle ownership (immediate roadside prohibitions and electronic device driving require 2 or more convictions to trigger DRP); UDAP is billed to the vehicle owner only when three conditions are met: no applicable UDP, an unlisted driver causes an at-fault claim, and ICBC makes a claim payment, calculated at 15 times the premium difference, capped at $5,000 on Basic coverage and capped on Optional coverage at 2 times the Optional premium that would have been payable if listed.
Premium financing and refuse-to-issue orders	financing / refuse-to-issue	Premium financing carries finance fees but no provincial sales tax, and new customers with no payment history must start with a 6-month payment plan; outstanding traffic

order	fines, vehicle impound fees, emissions non-compliance, failed inspections, transit fines, or delinquent child support can trigger a refuse-to-issue order, but a high frequency of insurance claims is not grounds for refusal.

Self-test cues (Cornell left column)

1. Which three Canadian provinces operate compulsory government automobile insurance plans, and which three excess coverages are private insurers permitted to sell in British Columbia?
2. Why does no-fault under BC's Enhanced Care since May 1, 2021 not mean fault is ignored, and which three outcomes are determined by fault percentages?
3. When multiple drivers are listed on an Autoplan policy, how is the 75/25 combined driver factor calculated, and who qualifies to lower the principal driver's combined factor?
4. Which coverages are discounted, what percentages are deducted, and within how many days must proof be submitted for the Low-Kilometre (<5,000 km) and Distance-Based (<10,000 km) discounts?
5. What three prerequisites must be met to trigger an Unlisted Driver Accident Premium (UDAP), and what are the 15-times difference caps on Basic and Optional coverages?

Summary: In three sentences, summarize how an Autoplan premium starts from a uniform base premium, adjusts for territory, vehicle use, and the 75/25 driver factor, and applies the six discounts and three surcharges to arrive at the final payable amount.

Chapter 13 · Autoplan Basic Coverage and Own-Damage Coverage

Automobile P1 Must score Basic Autoplan & Own Damage · practice paper — · 8 mock questions

Read with these questions: What percentage of net income does Income Replacement pay, and on which day do payments begin?; Following BC's prohibition on bodily injury and vehicle damage lawsuits, which six categories can still be sued?; When the insured is partially at fault, what portion of vehicle damage does Basic Vehicle Damage cover?; When an injured party is ineligible for EAB and faces an underinsured driver, who pays the bodily injury shortfall?; Does striking a tree already fallen on the roadway count as Collision or Comprehensive?

How it is tested

- Coverage matching scenario questions: Describing a specific motor vehicle accident or property damage scenario (such as striking a tree already fallen on the road, hitting wildlife, a fence damaged by a hit-and-run driver, or a two-vehicle collision with shared fault), testing directly which Basic coverage or optional own-damage coverage pays.
- EAB benefit rules and calculation questions: Formulating questions around the nine categories of Enhanced Accident Benefits, frequently testing Income Replacement rules (90% of net income, starting on the 8th day, paying after other wage-loss plans) and qualifying conditions for Caregiver Benefits, Permanent Impairment, and Death Benefits.
- Lawsuit limitation exceptions and liability limit questions: Testing which six situations allow lawsuits triggering Third-Party Liability under BC's general prohibition against motor vehicle injury and vehicle damage lawsuits, distinguishing the statutory limits of $200,000 for standard vehicles, $1,000,000 for heavy commercial vehicles, and $2,000,000 for dangerous goods carriers.
- Dual-condition and true-or-false analysis questions: Testing the two concurrent conditions for Underinsured Motorist Protection (UMP), the two trigger scenarios for Inverse Liability, and the requirement of two licensed standard vehicles for Basic Vehicle Damage (BVD) off-highway crashes, using 'only' or swapped conditions to create distractors.
- Coverage scope and exclusion screening questions: Testing that auto repair and valet personnel are excluded from the owner's Basic coverage even with permission (requiring a garage policy), territorial limits covering Canada, the United States, and vessels between their ports (excluding Mexico), and own-damage exclusions for contents, tires, and theft by family or employees.

Traps (watch for the signal)

Confusing boundaries between Collision and Comprehensive: The question stem mentions fallen tree on the road, pothole, guardrail, hit-and-run damaging the insured vehicle, or specific damage perils like animal, windshield, hail, or vandalism.

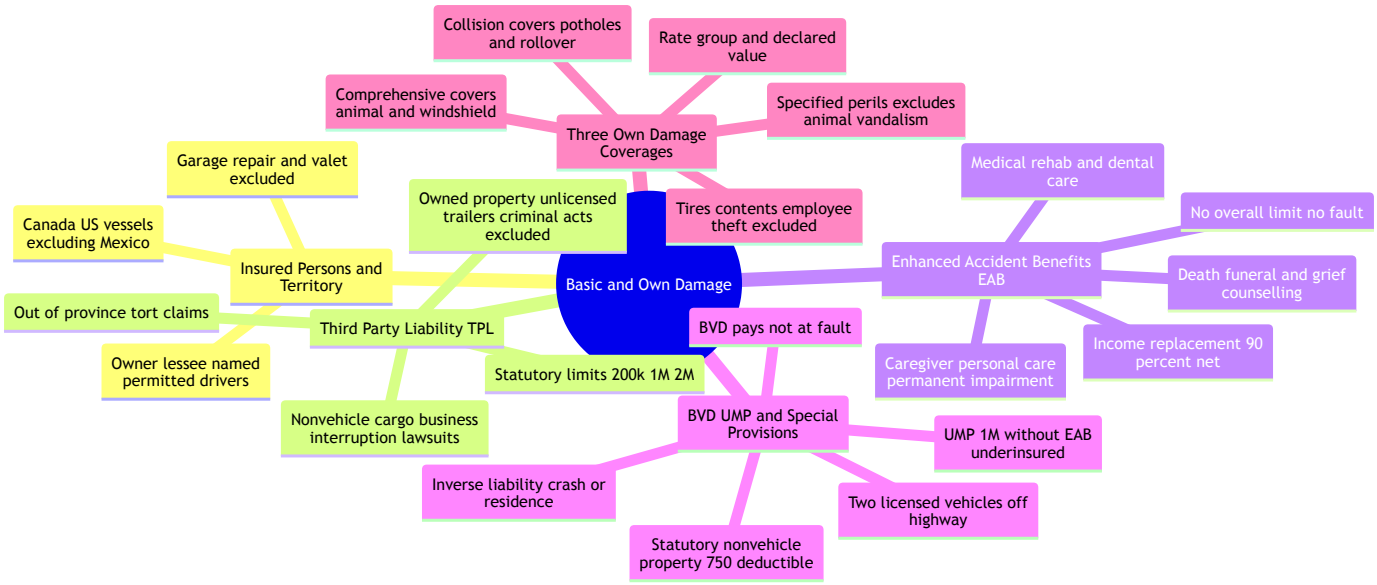
All-or-nothing or full-payout misconception for Basic Vehicle Damage: The question stem states total vehicle damage alongside fault percentages (such as 20% at fault / 80% not at fault), or describes an off-highway collision involving non-standard vehicles such as mountain bikes or tractors.

Conflating UMP with the Statutory Uninsured Motorist Provision: The question stem distinguishes between an injured person without EAB versus non-vehicle property (such as a fence, building, or bicycle) damaged by an unidentified or uninsured driver.

EAB Income Replacement calculation base and payment order trap: The question stem presents contrasts such as gross income vs. net income, first day vs. eighth day, primary payer vs. after other wage-loss plans, or benefit categories under Catastrophic Injuries.

Absolutist statements regarding Inverse Liability and garage personnel: The question stem combines 'with the owner permission' with auto repair, valet, or dealership, or pairs Inverse Liability with 'only when the accident occurs in a jurisdiction'.

Mind map


Basic and Own Damage
Three Own Damage Coverages
Collision covers potholes and rollover
Rate group and declared value
Comprehensive covers animal and windshield
Specified perils excludes animal vandalism
Tires contents employee theft excluded
Enhanced Accident Benefits EAB
Medical rehab and dental care
No overall limit no fault
Death funeral and grief counselling
Income replacement 90 percent net
Caregiver personal care permanent impairment
Third Party Liability TPL
Insured Persons and Territory
Garage repair and valet excluded
Canada US vessels excluding Mexico
Out of province tort claims
Owner lessee named permitted drivers
Owned property unlicensed trailers criminal acts excluded
Statutory limits 200k 1M 2M
Nonvehicle cargo business interruption lawsuits
BVD pays not at fault
BVD UMP and Special Provisions
UMP 1M without EAB underinsured
Two licensed vehicles off highway
Statutory nonvehicle property 750 deductible
Inverse liability crash or residence

Chapter 13Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Insured persons, garage policy exclusions, and territorial limits	Insured, Garage Policy, and Territorial Limits	Basic coverage protects the vehicle owner, lessee, named drivers, and any licensed driver operating the vehicle with consent; however, persons engaged in buying, selling, repairing, maintaining, storing, servicing, or valeting vehicles are excluded even with permission (requiring a garage policy); territorial limits are confined to Canada, the United States, and vessels travelling between their ports, excluding Mexico.
Five Basic coverages and division of at-fault vehicle damage	Five Basic Coverages	Basic coverage consists of five parts: Third-Party Liability (TPL), Enhanced Accident Benefits (EAB), Basic Vehicle Damage (BVD), Underinsured Motorist Protection (UMP), and Inverse Liability; damage to the insured vehicle for which the insured is not responsible is paid by BVD, while the portion for which the insured is at fault must be covered by optional Collision.
Third-Party Liability (TPL) limits and six lawsuit limitation exceptions	Third-Party Liability (TPL) and Lawsuits Limitation	The standard Basic TPL limit is $200,000 (automatically $1,000,000 for heavy commercial vehicles, commercial trailers, buses, taxis, and limousines carrying passengers or cargo for compensation, and $2,000,000 for vehicles transporting dangerous goods); although BC prohibits most lawsuits for bodily injury and vehicle damage resulting from motor vehicle crashes, lawsuits remain permitted for damage to property other than a vehicle, cargo or contents of third parties, business interruption losses, environmental damage cleanup, out-of-province crashes in jurisdictions permitting tort actions, and off-highway crashes involving non-standard vehicles.
Enhanced Accident Benefits (EAB) core principles and non-resident rules	Enhanced Accident Benefits (EAB)	EAB provides benefits to all BC residents on a no-fault basis without an overall limit, covering drivers, passengers, cyclists, and pedestrians; non-residents injured in BC receive medical and rehabilitation benefits that may be reduced according to their degree of fault, and if they carry other auto accident benefits coverage, that other policy acts as the primary payer.
Income Replacement and other core EAB benefit provisions	Income Replacement, Caregiver, Permanent Impairment, and Catastrophic Injuries	Under the exam standard, Income Replacement pays 90% of net income starting on the 8th day after the crash, paying after employer disability plans, WorkSafeBC, and EI; Caregiver Benefits apply to unpaid caregivers caring for children under age 16 or persons unable to work; Permanent Impairment provides a lump-sum payment according to a statutory schedule; and travel and lodging for grief counselling exceeding 50 kilometres one-way can be pre-approved.
Basic Vehicle Damage (BVD) limit, proportional settlement, and off-highway rules	Basic Vehicle Damage (BVD)	BVD provides coverage up to $200,000 solely on BC public roads (not out-of-province), paying in proportion to the percentage the insured is not responsible for to cover vehicle repairs, permanently attached equipment, loss of use, towing, and storage; off-highway accidents require a collision between at least two licensed standard vehicles (or licensed trailers) to qualify, and BVD excludes contents, cargo, and business interruption.
Underinsured Motorist Protection (UMP) dual qualification conditions	Underinsured Motorist Protection (UMP)	UMP provides up to $1,000,000 per person to cover bodily injury shortfall only when the insured or household family member concurrently satisfies two conditions: not being entitled to Enhanced Accident Benefits (EAB), and the at-fault driver's third-party liability insurance being insufficient to satisfy the adjudicated damages; it does not apply in jurisdictions where motor vehicle tort lawsuits are barred (including most roadway crashes in BC).
Statutory Uninsured/Unidentified Motorist Provision	Statutory Uninsured/Unidentified Motorist Provision	Operating independently of Basic coverage, this statutory provision protects all BC residents (regardless of vehicle ownership or driver's licence) for damage to non-vehicle property (such as buildings, fences, or bicycles) caused by uninsured or hit-and-run drivers on BC highways up

		to $200,000, subject to a $750 deductible borne by the claimant in hit–and–run cases.
Two triggering scenarios of Inverse Liability	Inverse Liability	When an accident occurs in a Canadian or U.S. jurisdiction whose laws bar claims for such vehicle damage, or when the at–fault driver resides in such a jurisdiction, Inverse Liability covers the insured vehicle's damage in proportion to the other driver's percentage of fault, and Basic coverage pays that same percentage of the insured's Collision deductible.
Three own–damage coverages, rating categories, and exclusions	Collision, Specified Perils, Comprehensive, Rate Group, and Declared Value	Collision covers impact, rollover, potholes, and hit–and–run vehicle damage; Comprehensive covers all losses except collision (including animal impact and windshield damage) without affecting the driver factor; Specified Perils excludes vandalism, malicious mischief, animal impact, and windshields; most private passenger vehicles are rated using rate groups, whereas motorhomes, motorcycles, and heavy commercial vehicles use declared value; tires, vehicle contents, and theft by family or employees are excluded.

Self–test cues (Cornell left column)

1. Why is an auto repair technician road–testing a vehicle with the owner's consent excluded from the owner's Basic coverage, and is a road trip from BC to Mexico covered?
2. Under BC's general prohibition on motor vehicle lawsuits, which six exceptions still permit legal action paid by Third–Party Liability (TPL), and what are the TPL limits for different commercial vehicles?
3. Under Enhanced Accident Benefits (EAB), how is Income Replacement calculated, when do payments begin, and how does it rank against other wage–loss plans? Which three benefits fall under Catastrophic Injuries on the exam?
4. How does Basic Vehicle Damage (BVD) respond to shared–fault accidents, out–of–province collisions, and off–highway impacts with mountain bikes, and what two concurrent conditions must be met to trigger UMP?
5. Which coverages respond respectively when an insured vehicle versus a private fence is damaged by a hit–and–run driver, and how do Collision, Specified Perils, and Comprehensive divide coverage for fallen trees, animal impacts, and windshields?

Summary: In your own words, summarize the accident scenarios governed by each of the five Basic coverages and the independent statutory provision, explaining how BVD and the three optional own–damage coverages coordinate to share vehicle damage costs and deductibles when the insured is partially at fault or suffers non–collision losses.

Chapter 14 · Optional Auto Coverages and Coverage Conditions

Automobile P1 Must score Optional Coverage & Conditions · practice paper — · 6 mock questions

Read with these questions: Must the owner pay the UDAP if an unlisted household family member causes a crash?; Does Automatic Loss of Use pay transit expenses if only tires and wheels are stolen?; Does Destination Assistance in the seven–item package include renting a substitute vehicle?; If Limited–Depreciation is purchased on the day a car enters its third model year, does it cover total loss by fire?; If a driver's licence has expired and the driver injures someone, are third–party losses still paid?

How it is tested

- Package composition and sub–coverage boundary questions: Directly testing which sub–coverages are included in the four–item package and the seven–item roadside package, and which customers or expenses are excluded (such as non–residents being ineligible for rental–vehicle and vehicle travel protection, destination assistance being limited to 12 hours and excluding rental cars, and roadside emergency assistance being limited to twice per policy term and excluding gas, batteries, tires, and replacement parts).
- Coverage overlap and prerequisite condition questions: Presenting a real–life scenario to ask whether an additional coverage must be purchased or which prerequisite coverage is required (such as not needing to purchase Hit and Run if Collision is already carried, requiring Comprehensive to purchase the seven–item roadside package, and requiring both Collision and Comprehensive to purchase new vehicle coverage, with motorhomes being ineligible).
- Unlisted Driver Protection (UDP) exclusion identification questions: Describing an at–fault crash caused by a relative, friend, or employee driving the insured vehicle, testing whether the driver falls under the four UDP exclusions (household family members or employees, driving more than 12 days in 12 months, unlicensed drivers, or having caused an at–fault crash in the insured vehicle within five years since September 1, 2019) to determine if the owner must pay the Unlisted Driver Accident Premium (UDAP).
- Automatic versus Optional Loss of Use comparison questions: Testing differences in triggering perils, commencement times, and claim prerequisites—specifically that theft of parts does not trigger Automatic Loss of Use, that theft of the entire vehicle begins 72 hours after reporting to police, and that Optional Loss of Use begins immediately after the incident but requires an own–damage claim.
- Breach of coverage conditions consequence and criterion questions: Presenting scenarios such as driving without a valid licence, impaired driving, unauthorized out–of–province operation, or racing, testing the standard three–

Traps (watch for the signal)

Treating co–residing relatives as occasional borrowers: The question stem mentions household member, family member, employee, or indicates the driver lives with or is employed by the vehicle owner.

Mistaking theft of vehicle parts for theft of the entire vehicle: The question stem mentions stolen parts such as wheels, tires, engine, or catalytic converter while the vehicle itself remains behind.

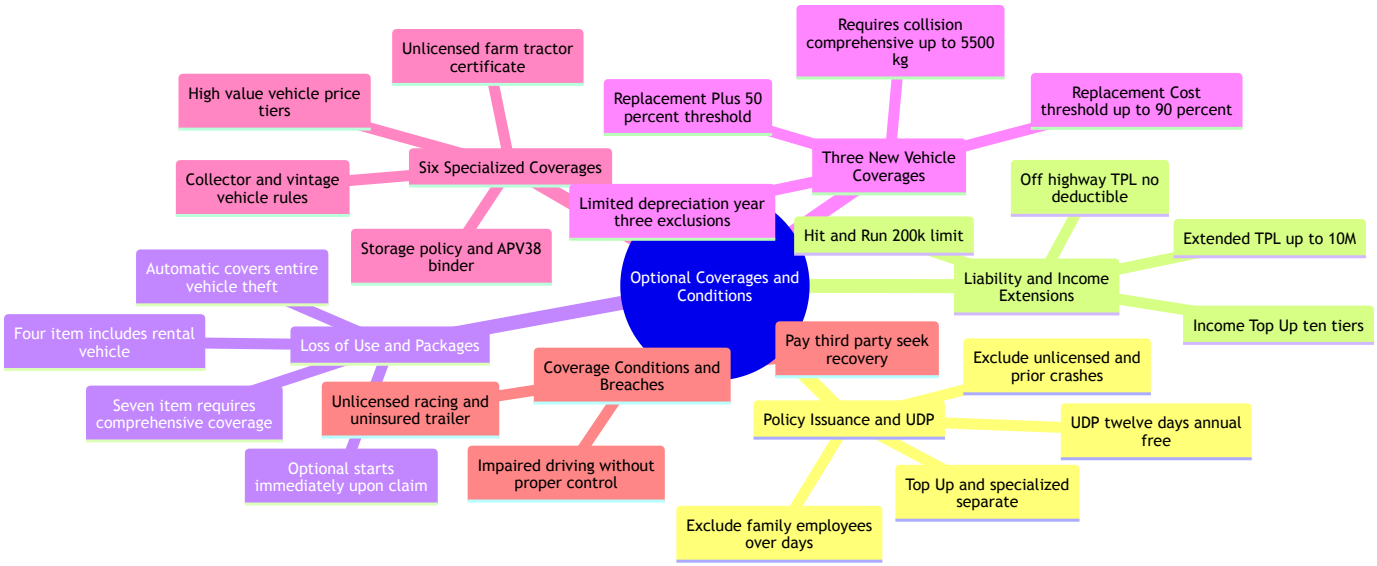
Confusing package inclusions and exclusions: The question stem asks whether the four–item package covers a specific item, or asks which specific expenses Destination Assistance or roadside emergency will reimburse.

Model year and third–year fire and theft trap in new vehicle coverages: The question stem specifies the vehicle model year, repair cost as a percentage of market value, or mentions purchasing Limited–Depreciation on the start of the third model year followed by a total loss from fire or theft.

Reversing breach consequences or expecting criminal charges for impaired driving: The question stem mentions expired licence, alcohol, not charged, or breach of condition, and asks how third–party and own–damage claims are handled respectively.

step consequence (paying innocent third parties, denying the breaching driver's own-damage claim, and seeking recovery from the breaching driver), or distinguishing the exam list criterion (blood alcohol level over 0.05) from the scenario criterion (intoxicated to the point of being incapable of proper vehicle control, without requiring criminal charges).

Mind map



Chapter 14Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Optional coverage policy issuance methods	Optional coverages / Specialized Coverages	Most optional coverages are listed and priced separately on the same policy document as the basic coverage, but Income Top-Up and Specialized Coverages are issued as separate standalone policies.
Unlisted Driver Protection and four exclusions	Unlisted Driver Protection (UDP)	New basic policies automatically include Unlisted Driver Protection (UDP) at no extra charge, allowing unlisted drivers to operate the vehicle up to 12 days per year; however, household family members or employees, individuals who drove more than 12 days in the past 12 months, unlicensed drivers, and individuals who caused an at-fault crash in the insured vehicle within five years since September 1, 2019 are excluded.
Extended Third Party Liability and Off-Highway Third Party Liability	Extended Third Party Liability / Off-Highway Third Party Liability	Extended Third Party Liability increases limits up to $5,000,000 for private passenger and light commercial vehicles, and up to $10,000,000 for heavy commercial vehicles and vehicles transporting dangerous goods; Off-Highway Third Party Liability covers licensed non-standard vehicles used off-highway, available in five limits from $200,000 to $5,000,000 with no deductible.
Income Top-Up eligibility and limits	Income Top-Up	Income Top-Up is available to all BC residents (whether or not they hold a Basic auto policy) and non-residents who plate and insure a vehicle in BC, offering up to 10 tiers of $10,000 each to add up to $100,000.
Hit and Run coverage and Loss of Use	Hit and Run / Loss of Use	Collision coverage already includes hit-and-run vehicle damage; otherwise, standalone Hit and Run coverage may be purchased ($200,000 limit, $750 deductible); Automatic Loss of Use is automatically included with Comprehensive or Specified Perils, covering only theft of the entire vehicle starting 72 hours after reporting to police; Optional Loss of Use starts immediately following an incident but requires an own-damage claim unless the entire vehicle is stolen.
Four-item package and seven-item roadside package	four-item package / seven-item roadside package	The four-item package includes increased loss of use, rental-vehicle coverage for up to 30 consecutive days, vehicle travel protection for trips up to 30 days, and locks and keys (non-residents are excluded from rental-vehicle and vehicle travel protection); the seven-item package requires Comprehensive coverage, increases limits on the four items (raising rental TPL from $1,000,000 to $2,000,000), and adds Destination Assistance (within 12 hours, excluding rental vehicles), theft deductible waiver, and roadside emergency assistance (up to twice per policy term, excluding gas, batteries, tires, and replacement parts).
Three new vehicle anti-depreciation coverages	New Vehicle Replacement Plus / Replacement-Cost / Limited-Depreciation	Requires both Collision and Comprehensive coverage, restricted to private passenger cars or light commercial vehicles weighing 5,500 kg GVW or less (motorhomes are ineligible); New Vehicle Replacement Plus covers the first and second model years (total loss if repairs exceed 50% of market value); Replacement-Cost covers the first through third model years (total-loss threshold may reach up to 90%); Limited-Depreciation covers vehicles up to three model years old (if effective in the third model year, total loss from fire, theft, vandalism, or malicious mischief is excluded).
High-value vehicles, storage policies, temporary binders, and farm tractor certificates	High-value / Storage Policy / binder (APV38) / Unlicensed Farm Tractor Certificate	High-value vehicle thresholds are an MSRP exceeding $150,000 (within seven model years) or exceeding $400,000 (within 14 model years); Storage Policies cover vehicles not in use and not parked on a highway; a temporary operation binder (APV38) covers newly purchased vehicles driven back to BC from elsewhere in continental Canada or the US for 1 to 31 days; unlicensed farm tractors operated on or crossing a highway must carry an Unlicensed Farm Tractor Certificate in the vehicle.
Collector vehicle and vintage motor vehicle coverages	collector vehicle / Vintage Motor Vehicle Certificate	Collector vehicles must be at least 25 years old (or 15 years old for limited-production or discontinued models), maintained to original manufacturer specifications, and used solely for pleasure; vintage motor vehicles must be at least 30 years old, carry vintage plates, and be operated solely for inspection, servicing, parades, exhibitions, club activities, weddings, graduations, or public ceremonies, restricted to daylight hours if safety lighting requirements are not met.
Coverage conditions and consequences of breach	coverage conditions / breach	Driving without a valid driver's licence, unauthorized out-of-province operation, racing, towing an unlicensed or uninsured trailer, impaired driving (listed on the exam as blood alcohol over 0.05, and in scenarios as being incapable of proper control of

the vehicle without requiring criminal charges), or refusing a breath test constitute a breach of coverage conditions; the three-step consequence is paying innocent third parties, denying the breaching driver's own-damage claim, and seeking reimbursement from the breaching driver.

Self-test cues (Cornell left column)

1. Which optional coverages must be issued as separate standalone policies, and who are the four categories of drivers excluded from UDP?
2. What are the differences between Automatic Loss of Use and Optional Loss of Use regarding triggering perils, commencement times, and claim prerequisites?
3. What are the three additional coverages in the seven-item roadside package compared to the four-item package, and what are their frequently tested exclusions?
4. What are the applicable model years, total-loss percentage thresholds, and special third-model-year exclusions among the three new vehicle coverages?
5. What are the core qualifying thresholds for the six specialized coverages, the three-step consequences of a breach of conditions, and the criteria for impaired driving?

Summary: In your own words, summarize the core points of this chapter: which optional coverages share the basic policy versus which two are issued separately; the key numeric thresholds for packages and new vehicle coverages; and how an insurer treats innocent third parties versus the vehicle owner upon a breach of coverage conditions.

Chapter 15 · Regulation and Ethics of Insurance Intermediaries

Industry P2 Hold steady Broker Regulation & Conduct · practice paper 3 · 3 mock questions

Read with these questions: Which body has delegated authority over BC licensing, complaints, and discipline?; Which statement concerning the three-level step licensing system is incorrect?; Which scenario does not constitute illegal rebating leading to licence revocation?; When a risk exceeds personal competence, should a broker decline or learn on the job?; What happens when a broker complies with legislation but fails association standards?

How it is tested

- Regulatory body function questions: Presenting the federal regulator, the provincial insurance Superintendent, the Insurance Council, and professional broker associations, testing which body actually handles licence issuance, complaint investigation, and disciplinary action, and evaluating whether candidates distinguish the boundaries between statutory administrative regulation, delegated self-regulatory administration, and professional industry associations.
- Step licensing true-or-false questions: Presenting negative 'which statement is INCORRECT' questions regarding BC's three licensing levels (Level I, Level II, Level III) concerning permitted work locations, who supervises whom, who is permitted to own or manage a brokerage, and whether upgrading relies on demonstrated examination knowledge rather than years of industry tenure.
- Licence revocation grounds and rebating scenario questions: Providing four business scenarios (cash refunds, gifting expensive memberships, distributing low-value promotional pens, and insurer-authorized premium discounts) to ask which constitutes illegal rebating or which would not lead to licence revocation, testing whether candidates grasp the core criterion of providing an inducement to purchase outside the stated policy premium.
- Code of Conduct boundary application questions: Establishing specific dilemma scenarios across the eight Code of Conduct principles (integrity, competence, quality of service, advising clients, confidentiality, fee disclosure, etc.), such as whether a personal criminal conviction impacts professional integrity, whether a broker should learn on the job or decline and refer when a risk exceeds personal competence, and whether the duty of confidentiality terminates after a client moves to another brokerage.
- Three-tier comparison questions across statutory law, conduct codes, and association standards: Testing the differing consequences of violating the Insurance Act, violating the Code of Conduct, and failing to meet professional association standards, focusing particularly

Traps (watch for the signal)

Confusing regulatory bodies and their distinct functions: The question stem mentions licensing, complaints, disciplinary action, or regulating conduct in BC, AB, SK, or MB.

Confusing licence levels and upgrading prerequisites: The question stem mentions step licensing, own or manage a brokerage, years of experience, or comparisons of Level I, II, and III authorities.

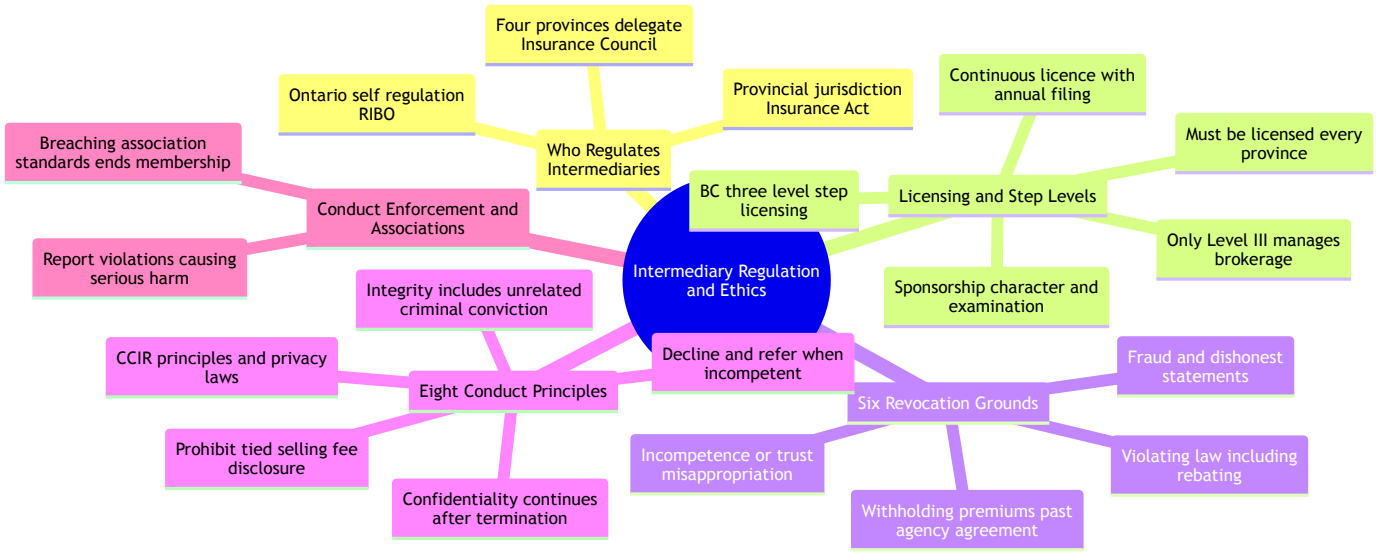
Failing to distinguish illegal rebating from authorized discounts and promotional giveaways: The question stem mentions discount authorized by the insurer, inducement, stated policy premium, or promotional giveaways.

Applying current regulatory practice instead of exam standards: The question stem asks when sales incentives must be disclosed, whether rebating is illegal, to whom Council decisions are appealed, or whether Level I licensees may practice outside the office.

Mistaking association disciplinary action for statutory licence revocation: The question stem explicitly mentions professional association standards, membership, or meeting government legislation while failing association requirements.

on distinguishing licence revocation from termination of association membership.

Mind map



Chapter 15Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Four provinces delegating authority to an Insurance Council	Insurance Council	Regulation of insurance intermediaries falls under provincial jurisdiction; British Columbia, Alberta, Saskatchewan, and Manitoba delegate licensing, complaints, discipline, and the enactment of codes of conduct to an independent Insurance Council, whose decisions may generally be appealed to the Superintendent.
Three licensing prerequisites and licence sponsorship	sponsor / good character and reputation	Obtaining an initial licence requires good character and reputation, passing an approved examination, and being sponsored by the employing brokerage or insurer (self-employed applicants are sponsored by the insurer they represent).
BC three-level step licensing authority and upgrading	step licensing / Level I, II, III	Level I is restricted to the office under constant supervision (the sole exception being off-site visits to auto dealerships under a Mobile Auto Contract), Level II may operate inside and outside the office under Level III supervision, and only Level III may own or manage a brokerage; each step upgrade requires demonstrated additional knowledge rather than years of experience.
Licence terms and out-of-province policy countersigning	continuous licence / countersign	Licences in BC are continuous with an annual filing requirement (compared to one year in Ontario and three years in Nova Scotia); conducting business across provinces requires licensing in every jurisdiction, and policies must be countersigned by a broker licensed in that province who shares in the commission.
Definition of rebating and permitted exceptions	rebating / inducement / giveaways	Returning any portion of the stated policy premium or offering something of value other than money to an insured as an inducement to purchase constitutes illegal rebating and grounds for licence revocation; however, promotional giveaways of minimal value too small to constitute an inducement and premium discounts authorized by the insurer in the policy do not count as rebating.
Misappropriation of trust funds and withholding premiums	trust funds / agency agreement	Withholding collected premiums without justification past the deadline set in the agency agreement, or misappropriating trust funds (which explicitly includes poor financial control, willful misstatement of the trust position, and embezzlement of funds), constitute grounds for licence revocation.
Three core principles of the CCIR	priority of client's interests / product suitability	The 2006 Canadian Council of Insurance Regulators (CCIR) conflict of interest paper established three fundamental principles for intermediaries: priority of client's interests, disclosure of actual or potential conflicts of interest, and product suitability.
Integrity, boundaries of competence, and confidentiality	integrity / competence / confidentiality	Conviction of a criminal offence even if unrelated to brokerage work reflects a lack of integrity; when a risk exceeds personal competence, a broker must decline to act and refer the client rather than learn as they go; the duty of client confidentiality continues even after the agency relationship has ended.
Incentive disclosure, tied selling, and additional service fees	tied selling / fee disclosure / unconscionable	Tied selling is strictly prohibited; any insurer incentive that is a factor in recommending that insurer to the client's detriment must be disclosed; any fee charged above the premium must be explained in writing in advance with the amount and reason, and charging a fee without a stated reason is deemed unconscionable.
Reporting misconduct and professional association standards	professional association	A broker has a duty to report to the regulator when someone is likely to suffer serious harm from an apparent violation of insurance legislation; professional association standards sit higher than statutory requirements, and breaching association codes leads to termination of membership rather than licence revocation.

Self-test cues (Cornell left column)

1. In British Columbia, which official administers the Insurance Act, which body holds delegated authority over licensing, complaints, and discipline, and to whom are decisions generally appealed?
2. What are the differences among BC's three licence levels (Level I, Level II, Level III) regarding permitted work locations, required supervision, and the authority to own or manage a brokerage?
3. What are the six statutory grounds for licence revocation under the Insurance Act, and how is illegal rebating distinguished from minimal promotional giveaways and insurer-authorized discounts?

4. What specific rules does the Code of Conduct impose regarding risks exceeding personal competence, client information after terminating an agency relationship, and charging service fees above the premium?
5. Why might a broker who complies fully with government legislation still face disciplinary action from a professional association, and what is the consequence of that discipline?

Summary: Summarize the core points of this chapter in three sentences: First, state the provincial delegated regulatory chain and the authority boundaries of BC's three licensing levels; second, outline the six statutory grounds for licence revocation, especially the criteria for illegal rebating and misappropriation of trust funds; third, summarize the eight Code of Conduct principles that exceed statutory minimums and the nature of professional association membership discipline.