FOI Level 1 Question Book

105 main questions plus 105 variants, all our own, none official. Every option has a reason.

How to use

1. Work chapter by chapter at real exam pace (100 questions in 150 minutes = 90 seconds each).
2. When marking, read the reason for all four options: why the wrong ones are wrong is tested more often than why the right one is right.
3. For every miss, do its variant the same day and again three days later.

Chapter 1 · Introduction to General Insurance Industry

Items marked ′ are variants on the same point: do one when you miss the main question.

1. A small business owner in Victoria is reviewing why insurance exists in society. While insurance contributes to the economy in several ways, which of the following is recognized as the main purpose of insurance?

a. Serving as a basis of credit so lenders are willing to finance homes and businesses
b. Spreading the financial losses of the few among the many who contribute to a pool
c. Cooperating with governments to promote loss prevention and fraud detection
d. Providing employment and investment capital across repair, medical, and legal sectors

1′. An instructor asks a licensing class to identify the primary function of insurance from four accurate statements about the industry. Which statement should the students choose?

a. Eliminating worry so entrepreneurs feel confident starting new commercial ventures
b. Protecting mortgaged assets so financial institutions can safely issue loans
c. Generating jobs for adjusters, contractors, and healthcare professionals
d. Collecting premiums into a common fund to share the losses of a few among many

2. After a windstorm tears the shingles off a warehouse roof, the policyholder demands a cash settlement rather than having the insurer arrange repairs. Under the legal definition of insurance, which statement correctly describes how the claim may be settled?

a. The insurer may choose to pay money or provide another thing of value, such as repairing or replacing the roof
b. The insurer must pay cash whenever the insured requests a monetary settlement before roof repair work begins
c. The law requires all property insurance claims to be settled strictly in cash to guarantee exact indemnity
d. The method of settlement is selected by an independent brokerage at the time the warehouse policy is bound

2′. Which of the following statements is NOT part of the five key points in the legal definition of insurance?

a. Insurance provides a means of shifting financial responsibility for losses to an insurer in exchange for a premium
b. Payment is made only for future accidental losses and never for deliberate or already-occurred property losses
c. Indemnity must always be paid in money and cannot take the form of repairing or replacing the damaged property
d. The amount of payment is restricted to indemnity so the insured neither profits nor falls short after a loss

3. A hailstorm shatters the skylights of a commercial greenhouse in Kelowna. In the context of the legal definition of insurance, how are the terms 'risk' and 'peril' properly applied to this situation?

a. The commercial greenhouse building itself is the legal risk, and the shattered skylight glass is the peril
b. The hailstorm is the legal risk, and the chance of financial loss to the greenhouse owner is the peril
c. The chance of financial loss is the risk, and the hailstorm that caused the damage is the peril
d. Both the hailstorm and the greenhouse are perils, while the insurance premium paid by the owner is the risk

3′. During an office discussion, an underwriter refers to an insured bakery building as 'a well-maintained risk.' How does this everyday phrasing compare with the strict legal definition of insurance?

a. In the legal definition, 'risk' means the chance of financial loss, while the bakery building is the object of insurance
b. In the legal definition, 'risk' means the cause of loss such as fire, while the bakery building itself is the peril
c. There is no difference because the Insurance Act defines 'risk' solely as the physical bakery property being insured
d. In the legal definition, 'risk' refers to the policy premium charged, while the bakery building is the indemnity

4. Ten years ago, a homeowner purchased a house for $75,000. Immediately before a covered fire completely destroyed the building today, its value was $140,000. Under the principle of indemnity in the legal definition of insurance, what amount is the homeowner entitled to receive?

a. $75,000, because indemnity only refunds the original purchase price paid by the homeowner ten years ago
b. $65,000, which represents the net difference between the current value and the original purchase price
c. $215,000, combining both the original purchase price and the current value immediately before the fire
d. $140,000, because indemnity measures the value of the property immediately before the loss occurred

4′. Why does the legal definition of insurance restrict claim payments to indemnity based on the value immediately before the loss, while excluding deliberate losses?

a. To ensure the insured recovers the actual loss without profiting or wasting resources on deliberate damage
b. To allow policyholders to insure losses that have already occurred whenever they agree to a higher premium
c. To guarantee that the insured always receives the original historical purchase price of the damaged home
d. To ensure that private stock insurance companies can retain all premiums without paying claims in cash

5. A client asks how a mutual insurance company differs from a stock insurance company in Canada. Which statement accurately contrasts these two types of private insurers?

a. A mutual company is owned by policyholders and provides low–cost coverage, returning surplus via dividends or rate adjustments
b. A mutual company is owned by shareholders seeking investment returns, whereas a stock company is owned by a provincial government
c. A mutual company writes the vast majority of general insurance in Canada and distributes profits solely to external stockholders
d. A mutual company only provides compulsory government automobile coverage to residents in BC, Saskatchewan, Manitoba, and Quebec

5′. Which statement correctly describes the role of government insurers in the Canadian property and casualty insurance market?

a. Government insurers distribute compulsory automobile insurance exclusively through independent brokerages in all four provinces including Quebec
b. Governments in BC, SK, MB, and QC provide compulsory auto insurance to residents, and SK's insurer also competes in private property lines
c. Government insurers are owned by private corporate shareholders and return annual profit dividends to external stock market investors
d. Liability insurance is the largest line of property and casualty insurance in Canada, exceeding automobile and property premiums combined

6. Marcus sells general insurance in British Columbia. He represents only one insurance company (plus the Facility Association), operates as a small business owner, is paid commission and bonuses, and owns his book of business. Under which distribution system does Marcus operate?

a. Direct writing system, because anyone representing a single insurer is a salaried employee of that company
b. Independent brokerage system, because only multi–insurer brokers are permitted to own a book of business
c. Agency system, where a small business owner represents one insurer and owns the client book of business
d. Lloyd's syndicate system, because he places substandard automobile policies with the Facility Association

6′. Which of the following statements does NOT apply to the independent brokerage distribution system?

a. Brokers are salaried employees representing a single insurance company, and that insurer owns the client book of business
b. Brokerages normally represent more than one private insurer as well as the Facility Association for automobile coverage
c. Insurers pay the brokerage a commission based on business volume, which the brokerage uses to pay rent and staff salaries
d. It is the most widespread channel, handling over 80% of P&C business and government auto insurance in BC, SK, and MB

7. An entertainment organizer needs coverage for an outdoor concert in case severe weather forces a cancellation, and standard insurers decline the application. When a broker places this business through Lloyd's of London, how does the placement process work?

a. Lloyd's of London acts as a corporate stock insurer and issues the policy directly from its head office once a premium deposit is paid
b. Underwriters or syndicates accept risk shares on a slip in their own names, and once 100% is subscribed the Policy Signing Office stamps it
c. A syndicate underwriting agent binds the policy as soon as 50% of the slip is subscribed, and the British government guarantees the rest
d. The broker submits the slip to the Facility Association, which stamps all Lloyd's policies for unusual aviation and entertainment risks

7′. Which statement accurately describes the structure of Lloyd's of London?

a. It is a Canadian mutual insurance company owned by commercial policyholders who insure communication satellites and offshore oil rigs
b. It is a provincial government insurer that competes with private companies for standard residential property and automobile business
c. It is a marketplace of underwriters who assume risks in their own names and form syndicates managed by underwriting agents for complex risks
d. It is a direct writing company whose salaried employees issue policies for unusual commercial risks without using brokers or slips

Chapter 2 · Insurance Contracts Industry

Items marked ′ are variants on the same point: do one when you miss the main question.

8. A bakery owner submits a signed application requesting a deductible of $100. The insurer issues the policy with a $500 deductible instead. Before the owner reads the policy, a fire damages the bakery's ovens. Why is there no enforceable contract on the $500 terms?

a. The element of agreement is missing because the insurer did not unconditionally accept the applicant's offer.
b. The element of consideration is missing because the owner has not yet paid the difference in premium.
c. The element of utmost good faith was breached by the insurer through concealment of the deductible.
d. The element of genuine intention fails unless both parties sign a separate written endorsement first.

8′. An insurer sends a property insurance quote with a $500 deductible to a warehouse owner. The owner replies, 'I accept your quote, provided you lower the deductible to $100.' That night, before the insurer responds, wind damages the roof. What is the status of the coverage?

a. Coverage is in force with a $500 deductible because the owner stated that the quote was accepted.
b. Coverage is voidable at the option of the owner because the loss occurred during negotiations.
c. No contract exists because a conditional response is still negotiation rather than an agreement.
d. Coverage is automatically bound at the $100 deductible under the rule of utmost good faith.

9. A broker is reviewing four commercial applications to verify the legal capacity of each applicant. Under the rules tested on the exam, which of the following applicants has the full legal capacity to enter into an enforceable commercial insurance contract as written?

a. Sunrise Floral Studio, a neighbourhood flower shop name registered without the owner's personal name.
b. Pacific Crest Logistics Ltd., an incorporated business applying without listing its shareholders' names.
c. A minor purchasing a commercial display cabinet policy, because all contracts by minors are strictly void.
d. Harbour View Bakery, an unincorporated partnership insured solely under its storefront sign name.

9′. Under the rules tested on the exam on legal capacity, which statement accurately describes a contract entered into by a minor for an item that is not a necessity of life?

a. The minor retains the right to repudiate and void the contract within a reasonable period of time.

b. The contract is automatically void from the beginning for both the minor and the adult seller.

c. The broker has the legal authority to evaluate the minor's maturity and declare the contract binding.

d. The contract is fully enforceable against the minor as long as it uses a trade name with d/b/a.

10. A hardware store owner installs an automatic sprinkler system to reduce potential fire damage, and also chooses a higher deductible on the store's property policy to lower the premium. Which two risk management techniques is the owner using, in order?

a. Avoidance of risk followed by transfer of risk.

b. Transfer of risk followed by controlling of risk.

c. Controlling of risk followed by retention of risk.

d. Retention of risk followed by avoidance of risk.

10′. Which statement correctly pairs a risk handling method or risk category with how it is treated in insurance?

a. Avoidance of risk is the most practical and commonly used method for everyday household perils.

b. Pure risk carries a chance of loss with no chance of gain, so it is the only insurable category.

c. Speculative risk becomes insurable whenever the applicant agrees to carry a higher deductible.

d. Controlling risk is a complete solution because it eliminates weather perils like hail and lightning.

11. An individual unknowingly buys a stolen motorcycle and insures it. Meanwhile, the individual's cousin buys insurance on an aunt's antique clock that the aunt promised to leave to the cousin in her will. If both items are destroyed, why is neither claim enforceable?

a. Both contracts fail solely because neither applicant had an insurable interest at the loss.

b. Both contracts fail solely because insuring either item violates public policy and legality.

c. The motorcycle policy lacks genuine intention, while the clock policy lacks consideration.

d. The motorcycle policy lacks legality of object, while the clock policy lacks insurable interest.

11′. Which of the following parties has a valid insurable interest that supports an enforceable insurance contract?

a. A watch repair shop that takes temporary custody of customers' watches for servicing.

b. A grandchild who has been promised a family piano when the grandparent passes away.

c. A homeowner who insures a next–door neighbour's detached garage out of goodwill.

d. A collector who insures stolen paintings purchased from an illicit seller.

12. All contracts require five general elements to be legally enforceable, while insurance contracts require three additional elements. Which of the following elements is unique to insurance contracts rather than required of all contracts?

a. Genuine intention, requiring consent free from fraud, duress, concealment, or mistake.
b. Indemnity, paying only the actual loss so the insured does not profit from a claim.
c. Consideration, where each party gives a binding promise or payment of value.
d. Legality of object, requiring that the insured subject matter respect public policy.

12′. When an applicant deliberately conceals prior policy cancellations on an insurance application, the contract becomes voidable. What does 'voidable' mean in contract law?

a. The contract is treated in law as though it never existed for either party.
b. The contract remains binding only if the wrongdoer chooses to ratify it after a loss.
c. The contract automatically converts into a temporary binder until a court reviews it.
d. The wrongdoer cannot enforce it, while the injured party may keep it in force or cancel it.

13. An insurer's rate manual states that brokers cannot bind coverage on woodworking shops. A broker overlooks this rule, issues an oral binder to a cabinetmaker, and fails to send written confirmation. A fire destroys the shop the next day. Which statement is correct?

a. The oral binder is valid, and since the broker exceeded the authority in the rate manual, the brokerage faces an E&O claim for the loss.
b. No coverage was ever bound because a temporary binder has no legal standing until it is issued in writing on a formal cover note.
c. The insurer must pay the claim because binding authority can only be restricted in the agency agreement, never in the rate manual.
d. The cabinetmaker must bear the loss alone because an oral binder is merely a price quote rather than a binding insurance contract.

13′. Where does a general insurance broker's binding authority come from, and why do insurers often place binding limits in the second document?

a. From the provincial statute and the cover note, so the regulator can revise underwriting limits without amending the act.
b. From the agency agreement and the rate manual, so the insurer can adjust limits as markets change without renegotiating agreements.
c. From the errors and omissions policy and the endorsement form, so the brokerage can self–authorize prohibited commercial risks.
d. From the signed application and the floater form, so the broker can bind oral coverage without sending written confirmation.

14. Midway through a policy term, a homeowner and the insurer mutually agree to delete an exclusion and increase the limit of insurance on outdoor trees. Under the exam framework, which written document is used to acknowledge this change in the terms of the contract?

a. A binder confirming temporary coverage until renewal.

b. A floater covering property that moves from location to location.

c. An endorsement acknowledging a change in the terms of the policy.

d. A separate policy issued without altering the original contract.

14′. A commercial photographer needs coverage for expensive cameras that are taken to different outdoor shoots every day, while an engineering consultant needs professional liability coverage that is not provided under the consultant's office building policy. Which two documents should be used, in order?

a. An endorsement followed by a binder.

b. A separate policy followed by an endorsement.

c. A binder followed by a floater.

d. A floater followed by a separate policy.

Chapter 3 · Government and Regulation of Insurance Industry

Items marked ′ are variants on the same point: do one when you miss the main question.

15. Which of the following activities is NOT a responsibility of the provincial Superintendent of Insurance when regulating general insurers?

a. Supervising the wording and terms of insurance contracts sold by private insurers in the province
b. Establishing the standard premium rates that private insurers must charge for property policies
c. Licensing insurers to transact business within the province, even if they already hold a federal licence
d. Monitoring the financial stability and solvency of insurers operating under a provincial charter

15′. A newly incorporated property insurer has obtained its federal licence after meeting the strict financial standards of OSFI. Before this insurer can legally sell property policies to residents in a specific province, what else is required and how is its solvency regulated?

a. It needs no further licence because a federal licence automatically grants authority to sell in every province
b. It must have its property premium rates set by the provincial Superintendent before issuing any policies
c. It must still obtain a provincial licence where it operates, while OSFI continues to monitor its solvency
d. It must deposit its entire premium revenue with PACICC in advance to guarantee future claim payments

16. How does the fiduciary obligation apply to the commission retained by an insurance brokerage when a client pays an annual premium?

a. Unearned commissions must be held in trust so they remain available for refund if the policy is terminated early
b. All commissions collected must be locked in trust until the twelve-month policy period has fully expired
c. Every province requires the brokerage to deposit all premiums into a separate trust account within three banking days
d. The entire commission becomes fully earned by the brokerage the moment the policy is delivered to the insured

16′. A client pays a 12-month policy premium to a brokerage at the start of the policy term. Three months into the term, how is the insurer's fiduciary obligation regarding that premium defined?

a. The insurer may treat the entire 12-month premium as earned revenue once the policy has been in force for 60 days
b. One-quarter of the premium is earned for expenses and claims, while the remaining unearned portion is held in trust
c. The insurer must hold 100% of the premium in trust until the policy expires without deducting any operating costs
d. The insurer has no fiduciary responsibility for unearned premiums because only brokers act as fiduciaries

17. Unless otherwise agreed or bound immediately by an authorized broker, at what exact time does a property insurance policy take effect under the Insurance Act, and how long does the removal clause cover property moved to protect it from an insured peril?

a. 12:01 p.m. Local Time at the insurer's head office; covered at the unnamed location for a flat period of 15 days
b. 12:01 a.m. Standard Time at the named insured's address; covered for 7 days or the unexpired term, whichever is shorter
c. 12:01 a.m. Standard Time at the location of the insured risk; covered at the unnamed location for a flat period of 30 days
d. 12:00 midnight Daylight Saving Time at the broker's office; covered at the unnamed location until the peril has subsided

17′. Hannah carries $120,000 of property coverage on her home contents, and her policy expires in 4 days. When a nearby wildfire threatens her street, she moves half her furniture to a rented storage unit in another town. The wildfire causes $95,000 of damage to the contents left at her home. How does the removal clause apply to the furniture in the storage unit?

a. It is covered at the storage unit for the remaining 4 days of the policy term, for up to the $25,000 limit left
b. It is covered at the storage unit for the full 7-day removal period, for up to the original $120,000 policy limit
c. It is not covered at all because the rented storage unit is an unnamed location not listed on the declarations page
d. It is covered for 7 days, just as if she had moved the furniture there temporarily to make room for home renovations

18. Which statement accurately describes the rules under the Insurance Act regarding limitation clauses, waiver, subrogation, or policy delivery?

a. A broker may verbally waive a policy condition on behalf of the insurer if the insured reports a hardship before a loss
b. A delivered policy does not bind the insurer until the insured's initial premium payment has cleared the bank
c. A policy with a coinsurance or deductible clause must have a red-ink warning on its first page, or the clause is not binding
d. Under subrogation, the insurer may sue the negligent third party in the insurer's own corporate name before paying the insured's claim

18′. Marcus received his fire insurance policy in the mail three weeks ago, but he has not yet paid the premium invoice. Yesterday, a negligent repair contractor accidentally started a fire that damaged Marcus's workshop. How do the Insurance Act rules on policy delivery and subrogation apply?

a. The delivered policy binds the insurer despite the unpaid premium, and after paying the claim, it may sue in Marcus's name
b. The insurer may deny the fire claim because a delivered policy is not binding until the initial premium is paid in full
c. Marcus must first sue the negligent contractor himself, and the insurer only pays if the contractor proves to be insolvent
d. The insurer must pay the fire claim first, and then sue the contractor in the insurer's own name for double the loss amount

19. Under the Insurance Act provisions governing policies that insure against fire, which of the following losses is covered?

a. A cashmere sweater is scorched while undergoing a heat-drying process inside a commercial dryer without catching fire
b. An antique ring accidentally knocked into a lit living-room fireplace is melted by the flames staying inside the hearth
c. A lightning strike destroys a restaurant's walk-in freezer motor, without any fire following the strike
d. An electrical power surge ruins a television set, and the resulting sparks ignite the living-room curtains and sofa

19′. By law, every policy insuring against the peril of fire must provide coverage for three mandatory perils, subject to four statutory exclusions. Which statement accurately reflects these rules?

a. It must cover fire, windstorm, and every type of mechanical or chemical explosion that occurs on the insured property during the policy term
b. It covers fire, lightning, and natural, coal, or manufactured gas explosion, excluding lightning damage to electrical devices unless fire ensues
c. It covers damage caused by both friendly fires contained in a hearth and hostile fires, provided that actual ignition and flame take place
d. If an electric iron overheats and sets fire to an ironing board and the kitchen wall, the entire loss including the kitchen wall is excluded

20. Under the Statutory Conditions, which of the following statements regarding Material Change (Condition 4) or Termination of Insurance (Condition 5) is CORRECT?

a. A clothing store that hosts a one-day outdoor charity barbecue in its parking lot has made a material change that voids coverage if not reported
b. When an insured requests immediate termination of a policy before expiry, the insured forfeits any right to a refund of the unearned premium
c. An insurer may cancel by giving 15 days' notice by registered mail or 5 days' personal written notice, with a pro rata refund of unearned premium
d. Once an insured promptly notifies the insurer of a material change, the insurer must continue the policy without charging any additional premium

20′. Victor converts his detached residential garage into a full-time commercial woodworking shop and promptly notifies his property insurer in writing. Under Statutory Condition 4 (Material Change), what options does the insurer have?

a. The insurer may only cancel the policy by giving 30 days' personal written notice and retaining a short-rate cancellation penalty
b. The insurer may cancel and return the unearned premium, or give written notice of the extra premium that Victor must pay within 15 days
c. The insurer must keep the policy in force at the original residential rate until the current annual policy period expires at renewal
d. The insurer may alter the wording of Statutory Condition 4 with Victor's signed written consent in order to exclude woodworking fires

21. Following an insured fire loss, which statement is TRUE under Statutory Conditions 6 through 15?

a. If the insurer proves the insured intentionally claimed a nonexistent laptop in the proof of loss after a fire, it may deny the entire claim

b. If the insured is dissatisfied with the insurer's settlement offer, the insured may immediately abandon the damaged property to the insurer without consent

c. If the insurer chooses to rebuild rather than pay cash, it must notify the insured in writing within 60 days after the fire

d. Any lawsuit against the insurer for recovery of an unpaid fire claim must be started within 90 days after the proof of loss is delivered

21′. After a warehouse fire, the insured submits a verified proof of loss on May 1. Under the exam rules for the Statutory Conditions, what are the statutory deadlines for payment, election to repair, and starting legal action?

a. Payment within 30 days of the loss; written notice to repair within 15 days and work begun within 30 days of the loss; lawsuit within 2 years of proof of loss

b. Payment within 45 days of proof of loss; written notice to repair within 60 days and work begun within 90 days of proof of loss; lawsuit within 6 months of the loss

c. Payment within 60 days of proof of loss; written notice to repair within 15 days and work begun within 45 days of proof of loss; lawsuit within 1 year of proof of loss

d. Payment within 60 days of proof of loss; written notice to repair within 30 days and work begun within 45 days of proof of loss; lawsuit within 1 year after the loss occurs

Chapter 4 · The Insurance Process: From Application to Claims Industry

Items marked ′ are variants on the same point: do one when you miss the main question.

22. Nearly half of all errors and omissions (E&O) claims brought against insurance brokers arise from the same primary cause. Which of the following situations is an example of that primary cause?

a. Failing to inform a homeowner client about key policy exclusions, leaving the client without the coverage needed for a loss.
b. Breaching the terms of the brokerage agreement by binding a risk that exceeded the brokerage's authority limit.
c. Making a clerical error when processing a policy renewal notice for an existing commercial client.
d. Misdescribing the construction details of an insured building when submitting the application to the insurer.

22′. Which of the following is the single largest source of errors and omissions (E&O) claims against insurance brokers, accounting for almost half of all such claims?

a. Delays in processing policy endorsement requests submitted by policyholders during the policy term.
b. Violating the conditions set out in the brokerage agreement signed with the insurer.
c. Inadequate coverage, such as failing to arrange coverage in time or giving wrong advice on its availability.
d. Making administrative errors during policy cancellation or renewal notice procedures for existing clients.

23. Under the rules tested on the exam regarding errors and omissions (E&O) liability and insurance, which statement is correct?

a. Every individual staff member working in a brokerage must purchase a separate personal E&O policy to be protected against client claims.
b. A client who suffers a loss because a broker failed to use reasonable skill, care and diligence can bring an E&O claim against the broker and brokerage.
c. Because the broker is a legal party to the insurance contract, an E&O claim is filed directly under the client's property insurance policy.
d. A broker fulfills the legal standard of reasonable skill, care and diligence simply by finding the policy with the lowest possible premium.

23′. Under the rules tested on the exam, why do individual employees working inside an insurance brokerage not need to purchase their own separate errors and omissions (E&O) insurance policy?

a. Because individual brokers cannot be named in an E&O claim if a client suffers a financial loss.
b. Because the insurer whose policy was sold is legally required to pay for all broker negligence.
c. Because the standard of reasonable skill, care and diligence applies only to brokerage owners, not staff.
d. Because the E&O policy purchased by the brokerage covers all staff members working for that brokerage.

24. While reviewing a commercial application, an underwriter contacts the claims department to check whether the applicant's previous loss claims showed any suspicious circumstances or inflated amounts, and also looks into the applicant's financial condition. Which factor is the underwriter investigating?

a. Physical hazard, because past claim amounts show how well the building structure withstands insured perils.
b. Occupancy hazard, because previous claims reflect the type of business activity conducted on the premises.
c. Moral hazard, which involves subjective traits like financial condition, character, and indifference to loss.
d. Housekeeping hazard, which measures whether the applicant maintains clean and orderly premises over time.

24′. A shop owner leaves flammable waste piled near equipment and refuses to fix safety issues, remarking, "Why bother spending money on prevention when the insurance policy will pay for everything anyway?" Under the rules tested on the exam, how is this attitude classified?

a. Moral hazard, because an attitude of indifference to loss stems from the applicant's personal character.
b. A peril, because the owner's carelessness is the direct event that destroys the property.
c. Structural physical hazard, because the attitude directly alters the construction type of the building.
d. An easily visible condition that requires no investigation into the applicant's character.

25. Which statement accurately describes an insurance company underwriter and the primary function of underwriting?

a. An underwriter is a licensed independent intermediary whose primary function is calculating personal lines premiums for clients.
b. An underwriter is an unlicensed insurer employee whose primary function is selecting risks that are likely to be profitable.
c. An underwriter is a government regulator whose primary function is issuing renewal certificates and policy cancellation notices.
d. An underwriter is a brokerage employee whose primary function is inspecting damaged property and settling policyholder claims.

25′. When an underwriter reviews loss experience data as one of the four main sources of underwriting information for a class of business, over what time period is that loss history typically examined?

a. The past 3 to 5 years of claims paid compared with premiums collected for that class of risk.
b. Only the single most recent policy term of the individual applicant.
c. Every single policy year since the insurer was first established, maintained by independent adjusters.
d. The first 30 calendar days after a brokerage submits a new application.

26. A local furniture store owner asks two brokerages for quotes on a complex commercial insurance package. Who calculates the premium rates for this risk, and how many decision options does the underwriter have when evaluating the submission?

a. The broker calculates the rates using a personal lines rate manual, and the underwriter chooses from four decisions.
b. The broker calculates the rates using a tear-off rating sheet attached to the application, and the underwriter chooses from three decisions.
c. An independent adjuster sets the commercial rates after an inspection, and the underwriter chooses from five decisions.
d. The insurer's underwriter calculates the rates for complex commercial risks, and chooses from five underwriting decisions.

26′. After reviewing an application for a workshop with minor housekeeping issues, an underwriter decides not to reject the risk outright. Along with refusing the risk or accepting it as submitted, which of the following completes the five possible underwriting decisions?

a. Accepting with a lower premium, waiving the deductible, or transferring the risk to an independent adjuster.
b. Accepting at an increased rate, accepting with an increased deductible, or accepting subject to certain conditions.
c. Issuing a renewal certificate, sending a cancellation notice, or delegating rating to the client.
d. Requiring the broker to co-insure the loss, freezing the rate, or filing an E&O claim.

27. A policyholder calls the brokerage to report a very minor property loss, and around the same time a severe windstorm creates more claims than the insurer's internal staff can handle. How should the brokerage and the insurer respond?

a. The brokerage should treat even a minor report seriously and notify the insurer if it may be covered; the insurer can use independent adjusters when short-staffed.
b. The brokerage should dismiss minor reports to protect the client's loss experience data, and the insurer must use only company adjusters for storm claims.
c. The brokerage's underwriter must settle the minor claim directly, while field representatives adjust all storm losses.
d. The policyholder must always bypass the brokerage to hire an independent adjuster first, because company adjusters only handle commercial risks.

27′. In the standard claims process, when would an insurer typically assign an independent adjuster rather than a company adjuster to handle a loss?

a. For every routine claim, because company adjusters are not permitted to deal directly with policyholders.
b. Only when a client files an E&O claim against the brokerage for inadequate coverage.
c. When the insurer lacks sufficient internal staff in that area or when the claim requires specialized expertise.
d. Whenever the broker exercises authority as a first line underwriter to reject the claim.

28. A broker learns unfavorable details about a client's operations while completing an application, but considers leaving those details out so the client will not take their business to a competitor. What is the broker's obligation in this situation?

a. Omit the unfavorable details, because a broker's primary duty is to the client and the broker owes no obligation to the insurer.
b. Disclose the information only if the broker is an agent representing a single company, since brokers representing multiple companies are exempt.
c. As a first line underwriter, tell the truth about the risk submitted and never withhold or conceal important information from the insurer.
d. Wait until a loss occurs and let the independent adjuster uncover the details during the claims investigation.

28′. Although the industry often refers to all insurance salespeople as brokers, what are the two legal distinctions between an agent and a broker under the rules tested on the exam?

a. An agent is a direct party to the insurance contract, whereas a broker is an unlicensed employee hired by the policyholder.
b. An agent's main duty is to the insurer and usually for one company; a broker's main duty is to the client across multiple insurers.
c. An agent owes a duty of honesty only to the insurer, whereas a broker owes a duty of honesty only to the policyholder client.
d. An agent handles only complex commercial policy rating, whereas a broker handles only loss adjusting after a claim occurs.

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

Property & Liability

Items marked ′ are variants on the same point: do one when you miss the main question.

29. Dr. Lin is the sole owner of a dental clinic whose specialized sterilizing autoclave is destroyed by a covered peril. On the policy declarations page, dental equipment is insured for a limit of $5,000 with a $500 deductible. Supplier quotes supplied by Dr. Lin show that a new autoclave of like kind and quality costs $9,000, and the adjuster calculates $3,000 in depreciation based on its normal life expectancy and condition. Under an actual cash value (ACV) settlement basis, how much will the insurer pay?

a. $6,000
b. $4,500
c. $5,000
d. $9,000

29′. Marcus owns a custom glassblowing furnace that is destroyed when the studio roof collapses under snow load. When the adjuster determines the actual cash value (ACV) of the furnace under the policy's indemnity agreement, which rule applies to the valuation?

a. The adjuster must include the furnace's future investment value and sentimental value when calculating replacement cost before subtracting depreciation.
b. The insurer bears the legal burden of proving replacement cost through supplier quotes, and depreciation is deducted from the original purchase price.
c. The settlement is always fixed at the full policy limit shown on the declarations page, regardless of the insured's actual financial interest in the property.
d. The insured must prove replacement cost, and the adjuster deducts depreciation based on condition, obsolescence, resale value, and normal life expectancy.

30. Clara's bicycle repair shop building is damaged by a covered peril. Her commercial property policy includes an IBC 4005 replacement cost endorsement. It would cost $10,000 to rebuild the damaged structure with new materials of like kind and quality, whereas accumulated depreciation is $4,000. In which of the following situations will the insurer settle Clara's loss for the full $10,000 replacement cost (less the deductible) rather than the $6,000 actual cash value (ACV)?

a. Clara decides not to rebuild the damaged shop structure and requests an immediate cash settlement to buy a mobile repair van instead.
b. Clara acts promptly to rebuild the bicycle shop in another city where retail customer demand for repairs is significantly higher.
c. Clara promptly rebuilds on the same lot and completes the work, after construction start was delayed by municipal approval of drawings.
d. Clara submits a claim under the IBC 4005 endorsement for her damaged retail stock of new bicycles held for sale inside the building.

30′. David's music academy carries commercial property insurance with an IBC 4005 replacement cost endorsement. After a covered water loss, David submits claims for several damaged items. Which item is INELIGIBLE for replacement cost settlement and must be handled on another valuation basis?

a. Retail stock of music books held for sale, and an old amplifier already replaced before the loss and left unused in storage.
b. Damaged acoustic studio walls that are promptly repaired on the same site using new building materials of like kind and quality.
c. An active digital mixer whose exact model is discontinued, replaced promptly with the closest new model performing the same function.
d. A damaged recital hall roof whose reconstruction on the same site is completed after a brief delay caused by municipal permit review.

31. Priya's veterinary clinic building is completely destroyed by a covered natural gas explosion. At the time of the loss, the building has an actual cash value (ACV) of $400,000, a policy limit of $350,000 shown on the declarations page, and an outstanding mortgage balance of $200,000 held by a trust company under a Standard Mortgage Clause. Disregarding any deductible, how much is Priya personally entitled to collect from the insurer?

a. $400,000
b. $350,000
c. $200,000
d. $150,000

31′. Sophia borrows $60,000 from a private lender to buy a floral shop building, and her property policy includes an IBC 3000 Standard Mortgage Clause. Unbeknownst to the lender, Sophia misrepresents a material fact on her insurance application, and a covered fire later destroys the shop. How does the Standard Mortgage Clause govern this situation?

a. Neither Sophia nor the private lender can collect under the policy, because only chartered banks and trust companies qualify as mortgagees under the clause.
b. The insurer may deny Sophia's claim, but must still pay the lender up to its $60,000 insurable interest and then acquires subrogation rights against Sophia.
c. The insurer may immediately cancel the policy without giving statutory notice to the private lender once Sophia's misrepresentation on the application is discovered.
d. The insurer is legally responsible for delivering the certified copy of the policy to the private lender, failing which Sophia's misrepresentation is excused.

32. Victor's woodworking studio is insured under a commercial property policy containing an express warranty that an automatic dust-extraction system will be maintained in working order. Victor disconnects the dust extractor for a week, but on Sunday while the studio is closed and no woodworking is occurring, a lightning strike on the roof causes a fire in the front lobby. Under standard exam rules, how does Victor's breach of warranty affect his fire claim?

a. The insurer may deny the claim, because breaching a warranty removes coverage whether or not the breach had any connection to the loss.
b. The insurer must pay the claim, because breaching an express warranty allows claim denial only when the breach directly causes the fire loss.
c. The insurer must pay the claim, because express warranties are legally enforceable only in automobile and accident and sickness insurance policies.
d. The insurer must pay the claim, subject only to deducting double the standard $500 commercial policy deductible from the final settlement.

32′. Hannah is reviewing the conditions and warranties section of a property policy for her licensing exam. Under standard exam rules, which statement accurately describes statutory conditions, policy conditions, and warranties?

a. Statutory conditions are drafted individually by property insurers to manage risk, whereas policy conditions are enacted directly by provincial statute.
b. A breach of warranty removes coverage only when it directly triggers the loss, whereas breaching any policy condition removes coverage regardless of cause.
c. Statutory conditions apply to fire property, accident and sickness, and auto policies, and conditions set duties the insured must follow or refrain from.
d. Warranties do not require strict compliance by the policyholder as long as the insured agrees to pay a higher deductible when a loss claim is submitted.

33. Nora is explaining the nine standard property exclusions to a client who owns both a home and a small accounting office. Under a typical property insurance policy, which of the following items is NOT excluded as a standard property exclusion?

a. Paper currency in a desk drawer, corporate securities, and client books of account.
b. A personal automobile, a motorized pleasure boat, and a small private aircraft.
c. A dwelling left continuously vacant for 15 consecutive days while the owner travels.
d. Written evidences of debt or title kept inside the accounting office filing cabinet.

33′. Even an "all risks" property policy excludes nine common perils unless special coverage is purchased. Which of the following losses is caused by a peril that is generally COVERED rather than excluded under a standard property policy?

a. Basement damage caused by municipal sewer back-up and overland floodwaters.
b. A wooden gable shattered and set ablaze by a direct lightning strike during a summer storm.
c. Extra reconstruction expenses required to comply with a municipal building by-law.
d. Greenhouse glass fouled by smoke from agricultural smudging and steel frames weakened by gradual rust.

34. A fire breaks out inside the kiln room of Arthur's ceramics studio. Firefighters extinguish the blaze, leaving several forms of damage. Assuming Arthur carries only a standard property insurance policy with no additional endorsements, which resulting loss is an uncovered indirect loss?

a. Water damage to pottery glazes and shelving in the next room caused by the firefighters' hoses.
b. Business profits lost while the studio stays closed for repairs and cannot fulfil customer orders.
c. Roof framing chopped open by firefighters' axes to vent intense heat and smoke.
d. Heat blistering and smoke staining on the walls of the adjoining display gallery that never caught fire.

34′. A brief electrical fire on an outdoor mast burns the power cable feeding Grace's commercial cheese warehouse, cutting off electricity while the warehouse is closed for three days. When Grace reopens, the power cable is charred and all refrigerated cheese stock has spoiled. Under her unendorsed commercial property policy, what is covered?

a. Only the direct fire damage to the power cable feeding the warehouse, not the spoiled cheese stock.
b. Both the charred power cable and the spoiled cheese stock, because the fire started the chain of events.
c. Only the spoiled cheese stock, because commercial property policies automatically cover freezer spoilage.
d. The spoiled cheese stock plus the lost wholesale revenue from the three-day closure.

35. Liam owns a matched pair of antique silver candlesticks insured for $2,000. After a burglary in which thieves take one candlestick and leave the other behind on the mantel, Liam submits a claim for the full $2,000, arguing that a single candlestick no longer forms a pair. Under the pair and set rule, how will the insurer settle this claim?

a. Pay the claimed amount for the pair minus the value retained by the remaining candlestick.

b. Pay the full $2,000 without deduction, because breaking a matched pair destroys its utility.

c. Deny the entire claim for fraud because Liam claimed $2,000 while still keeping one candlestick.

d. Pay $3,000 to compensate for both the pair's value and the sentimental loss of the set.

35′. In Elena's commercial print shop, a falling beam cracks a single replaceable roller assembly inside a multi-part binding machine, and vandals ruin one corner panel of a sectional lobby floor covering that originally cost $3,000 for the whole room. Under the parts rule, what is the insurer obligated to pay?

a. The full replacement cost of the entire multi-part binding machine and the entire $3,000 floor covering.

b. The retail price of the damaged component alone, excluding any labour cost required for its installation.

c. A flat 2.5% allowance of the total commercial policy limit to cover minor component and flooring damage.

d. The value of the damaged component plus installation costs, without replacing the whole machine or floor.

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

Items marked ′ are variants on the same point: do one when you miss the main question.

36. Marcus is the sole named insured on an IBC Homeowners Form. Which of the following individuals would have their personal property covered under Marcus's policy at the time of a fire loss?

a. His wife, who moved into an apartment five months ago during a trial separation
b. His 23–year–old daughter, who is dependent on him and lives in residence while attending university full–time
c. His common–law partner, who moved in with him two years ago and with whom he has no natural or adopted children
d. A 19–year–old tenant who rents a basement suite in Marcus's home while working full–time at a local factory

36′. Elena is the sole named insured on a Homeowners policy. Following a burglary at her home, whose stolen belongings would qualify for coverage under the definition of the Insured?

a. Her partner, who has lived with her continuously for 18 months and is the adoptive co–parent of their child
b. Her 22–year–old foster son, who lives in her home and works full–time at a local warehouse while saving for school
c. Her brother, who lives across town in a rented apartment and stored his winter clothing in Elena's basement
d. A full–time university student who pays Elena monthly rent to board in a spare bedroom during the school year

37. Under the Extensions of Coverage in an IBC Homeowners policy (with a $500 policy deductible), which of the following claims is payable and for what amount?

a. The insured loses her house keys at a shopping mall and pays $350 to replace the exterior door locks; the insurer pays $350
b. A house pet accidentally pulls the power cord of a garage freezer from the wall outlet, spoiling $1,200 of meat; the insurer pays $1,200
c. The compressor motor in the insured's basement freezer suffers a mechanical breakdown, spoiling $1,400 of food; the insurer pays $1,400
d. The home's heating furnace breaks down in January and indoor tropical plants worth $800 freeze to death; the insurer pays $300

37′. A burglar steals a handbag containing the insured's house keys. The police are notified, and the locks are rekeyed at a cost of $420. If the Homeowners policy has a $500 deductible, how is this claim settled?

a. Nothing is paid because the $420 rekeying expense falls below the $500 policy deductible
b. $420 is paid in full because no deductible applies to the Lock Replacement extension, up to $500
c. Nothing is paid because the extension only covers full lock replacement, not rekeying existing locks
d. $420 is paid only if the burglar actually used the stolen keys to enter the insured dwelling

38. After a kitchen fire, repairs to an older dwelling using materials of similar quality would cost $60,000. However, a recently enacted municipal building bylaw requires rewiring the entire house to a higher standard, adding $12,000 to the cost. How does a standard IBC Homeowners policy with Guaranteed Replacement Cost on the building respond?

a. It pays $60,000, because neither Replacement Cost nor Guaranteed Replacement Cost covers increased costs from building bylaws
b. It pays $72,000, because Guaranteed Replacement Cost waives all policy limits and covers mandatory municipal bylaw upgrades
c. It pays $60,000 plus up to an additional 5% of the Coverage A limit to cover mandatory municipal building bylaw upgrades
d. It pays the Actual Cash Value of $72,000 unless the mandatory rewiring is completed within 90 days of the kitchen fire

38′. Following a theft loss, an insured chooses to take an immediate Actual Cash Value (ACV) settlement for 100 stolen music CDs rather than replacing them right away. Under the IBC Homeowners Basis of Claim Payment, what right does the insured retain?

a. No further right, because electing an immediate ACV settlement permanently waives replacement cost coverage on the stolen items
b. The right to replace the CDs within 30 days of the loss and claim the difference between ACV and replacement cost
c. The right to repair or replace the CDs within 180 days of the loss and claim the difference between ACV and replacement cost
d. The right to claim replacement cost even without buying new CDs, provided proof of loss is filed within 90 days of the theft

39. A fire in the insured's home destroys a $6,000 fur coat and a $7,000 garden-type tractor. Assuming a single $500 deductible applies to the occurrence and Coverage C is $180,000, what is the maximum amount payable for these two items combined?

a. $7,000, because the fur coat is capped at the $2,000 special limit and the garden tractor is capped at the $5,000 special limit
b. $10,500, because the $500 policy deductible is subtracted from the $5,000 tractor special limit after the cap is applied
c. $12,500, because the special limits of insurance only apply to theft losses and never apply when items are destroyed by fire
d. $11,000, consisting of $6,000 in full for the fur coat and $5,000 for the garden tractor after the deductible and special limit

39′. An insured consultant's $3,000 business laptop is stolen from her hotel room while attending a conference in Calgary. In a separate burglary at her home in Vancouver, thieves steal a home desktop computer worth $4,000 and commercial software worth $3,200. Ignoring the deductible, how does Coverage C respond to these losses?

a. Pays $2,000 for the business laptop in Calgary, $4,000 for the home desktop, and $2,500 for the software
b. Pays $0 for the business laptop away from the premises, $4,000 for the home computer hardware, and $2,500 for the software
c. Pays $0 for the business laptop, $2,500 for the home computer hardware, and $2,500 for the commercial software
d. Pays $3,000 for the business laptop under temporary removal, $4,000 for the hardware, and $3,200 for the software

40. In January, the insureds leave their heated home for a 10-day vacation without shutting off the water supply or draining the pipes. Which statement accurately describes coverage for water damage caused by frozen pipes under an IBC 1151 Basic Form?

a. The loss is covered on Day 8 if a competent person had been arranged to enter the house daily to ensure heating was maintained, even without prior notice
b. The loss is excluded on Day 3 of the trip because the insureds planned to be away from the dwelling for more than 4 consecutive days during the heating season
c. The loss is covered on Day 7 provided a neighbour checked the house every second day and the insurer was notified in writing before the insureds' departure
d. The loss is covered if the frozen pipe is in an unheated detached garage, provided a competent person checked the main heated dwelling every single day

40′. A family is permanently transferred to another province and moves out of their home on May 1, leaving several rooms of furniture behind while trying to sell the house. No new occupant moves in. On May 10, vandals break several windows and smash a bathroom sink, causing water damage. Under an IBC 1151 policy, how is this claim handled?

a. Covered in full, because leaving several rooms of furniture inside means the dwelling is considered unoccupied rather than vacant
b. Covered in full, because the vandalism and water damage occurred on Day 10, well within the 30–consecutive–day vacancy grace period
c. Only the broken windows are covered, because glass breakage remains insured for the first 30 consecutive days after the home becomes vacant
d. Denied in full, because coverage for vandalism, water damage, and glass breakage ceases immediately when the dwelling becomes vacant

41. While backing out of his driveway, an insured accidentally hits his attached garage door and also crushes his own bicycle that was leaning against the inside wall of the garage. Under an IBC 1153 Broad Form, which part of this loss is covered?

a. Both the garage door and the bicycle are covered, because the 1153 Broad Form provides All Risks coverage on both building and personal property
b. Neither is covered, because impact by a land vehicle driven by an insured is excluded across all three IBC Homeowners forms for buildings and contents
c. The garage door is covered under All Risks building coverage, but the bicycle is excluded under Named Perils contents coverage because an insured drove the vehicle
d. The bicycle is covered up to the $500 special limit under Coverage C, while the attached garage door is excluded because an insured drove the vehicle

41′. Smoke puffs back from a wood–burning living room fireplace, staining the living room sofa and curtains. Under which IBC Homeowners form(s) would the damage to the sofa and curtains be covered?

a. IBC 1155 Comprehensive Form only, because personal property is insured on an All Risks basis which does not exclude fireplace smoke
b. Both IBC 1153 Broad Form and IBC 1155 Comprehensive Form, because both forms upgrade personal property coverage to an All Risks basis
c. All three forms (1151, 1153, and 1155), because sudden and abnormal smoke from any domestic heating device is one of the 13 Named Perils
d. None of the three forms, because smoke puffing back from a wood–burning fireplace is a standard exclusion under every Homeowners policy

42. Under the Condominium Unit Owners Form, Loss Assessment coverage responds when the Condominium Corporation assesses unit owners for a shortfall in the corporation's insurance on collectively owned property. Which of the following is NOT a valid trigger for a Loss Assessment claim under the unit owner's policy?

a. The Condominium Corporation's policy had inadequate limits of insurance to cover a fire in the common recreation room
b. The Condominium Corporation's policy applied a coinsurance penalty following windstorm damage to the common roof
c. The unit owner chose a large $10,000 deductible on her own Condominium Unit Owners policy and cannot pay it after a fire
d. The Condominium Corporation breached a policy condition, voiding its coverage for an explosion in the common lobby

42′. A condominium unit owner spent $15,000 upgrading the original builder-grade carpet in his unit to hardwood flooring. A burst water pipe destroys the flooring. How is coverage arranged between the Condominium Corporation's policy and the unit owner's Condominium Unit Owners Form?

a. The Condominium Corporation's policy covers the full $15,000 hardwood upgrade on a replacement cost basis because flooring is permanently attached to the building
b. The unit owner's policy covers the increased value under Unit Improvements and Betterments at replacement cost, while the corporation's policy covers original installations
c. The unit owner's policy covers both the unit's original purchase price and the $15,000 hardwood flooring upgrade under Coverage A on a replacement cost basis
d. The unit owner's Loss Assessment coverage pays for the $15,000 hardwood flooring inside his own unit on an Actual Cash Value basis, up to the $5,000 standard limit

Chapter 7 · Commercial Property Insurance Commercial

Items marked ′ are variants on the same point: do one when you miss the main question.

43. A commercial tenant operates a retail clothing boutique in a leased unit and purchases custom wall panelling and recessed lighting installed by the previous tenant. Which category of a commercial property policy covers these items?

a. Building, because the panelling and lighting are permanently attached to the structure
b. Equipment, because tenant's improvements made or acquired by a tenant are insured under equipment
c. Stock, because the decorative fixtures are used to display merchandise for sale to customers
d. Neither building nor contents, because improvements made by a prior tenant cannot be insured

43′. A company owns its office building and keeps several items on the premises: live palm trees in the indoor lobby, silk floral arrangements in the reception area, and lumber stored for a major structural addition. Which of these is insured under the building category?

a. Both the live palm trees in the lobby and the silk floral arrangements in the reception area
b. The lumber stored on the premises for the upcoming major structural addition
c. The silk floral arrangements and the lumber, while live plants are always excluded
d. Only the live palm trees kept for decorative purposes inside the owner-occupied building

44. A commercial building has an actual cash value of $400,000 and is insured for $240,000 under a policy with an 80% co-insurance clause. If a covered fire causes a $60,000 partial loss, how much of the loss must the insured bear personally?

a. $45,000, based on the ratio of insurance carried ($240,000) to the co-insurance requirement ($320,000)
b. $60,000, because carrying less than the required $320,000 voids coverage for partial losses
c. $15,000, representing the difference between the $60,000 loss and the $45,000 insurer payment
d. $80,000, representing the shortfall between the $240,000 limit carried and the $320,000 required

44′. A warehouse has an actual cash value of $600,000 and is insured for $360,000 subject to an 80% co-insurance clause. Following a windstorm that causes a $90,000 partial loss, how much must the insured absorb out of pocket?

a. $22,500, because the insurer pays $67,500 and the insured bears the remaining balance
b. $67,500, which is the amount calculated by applying the co-insurance ratio to the $90,000 loss
c. $90,000, because the insured failed to carry the required $480,000 of insurance coverage
d. $5,000, because the co-insurance penalty is capped at the $5,000 waiver threshold

45. A furniture store carries $150,000 of stock insurance on inventory worth $300,000, subject to an 80% co-insurance clause. A minor fire destroys a display sofa worth $2,800. Ignoring any deductible, how will the insurer settle this claim?

a. Pay the full $2,800, because the loss does not exceed the lesser of 2% of the policy limit or $5,000
b. Reduce the payment using the 80% co-insurance formula because the $150,000 limit is underinsured
c. Pay nothing, because the $2,800 loss is less than the $3,000 co-insurance threshold
d. Cap the payment at $2,500, which is the standard sub-limit for underinsured stock items

45′. Under the rules tested on the exam, what printing requirement applies to a commercial property policy containing a co-insurance clause, and what is the maximum loss eligible for the co-insurance waiver on a $400,000 policy limit?

a. A warning stamped in red ink on the first page, and a maximum waiver threshold of $8,000
b. A warning printed on the back page, and a maximum waiver threshold of $4,000
c. A warning stamped in red ink on the first page, and a maximum waiver threshold of $5,000
d. No special warning is required for commercial policies, and a maximum waiver threshold of $5,000

46. A delivery company insures its building under the Commercial Building, Equipment and Stock Broad Form (IBC 4037). Which of the following losses is covered under this Broad Form but would NOT be covered under the Named Perils Form (IBC 4036)?

a. Water damage to the ground floor caused by the backing up of municipal sewers during a storm
b. Smoke damage to stock resulting from an industrial manufacturing operation inside the plant
c. The cost of redoing faulty roof framing workmanship discovered just before a heavy snowfall
d. Structural damage caused when a delivery van driven by the insured's employee hits the bay

46′. An underwriter is calculating the basic fire rate for a commercial property policy and adding a loading for Broad Form coverage. Which of the following factors is NOT one of the five underwriting factors used to determine the basic fire rate?

a. The occupancy of other tenants sharing the same commercial building
b. The total number of employees working on the premises and the firm's annual revenue
c. The distance to the nearest fire hall, fire hydrants, and automatic sprinkler systems
d. The frequency and severity of fire losses experienced over the past five years

47. A fire destroys all of a retailer's inventory, exhausting the entire $150,000 stock limit on the commercial property policy. The insured then incurs additional costs to haul away the burned stock debris. How does the standard debris removal clause respond?

a. It pays the debris removal costs in full because debris removal is an automatic supplementary limit
b. It pays nothing under the stock item because the stock limit is exhausted and debris removal adds no extra limit
c. It transfers the unpaid stock debris removal expense to the unused portion of the building limit
d. It pays the debris removal costs but deducts that amount from the reinstated limit for the rest of the policy term

47′. A restaurant is required by its commercial property policy to maintain an automatic kitchen fire suppression system. Unknown to the insured, debris inside a pipe blocks the system before a grease fire breaks out. How does the protective safeguards provision apply?

a. Coverage remains in force because an unknown defect does not constitute a breach of the notification obligation
b. Coverage is automatically suspended from the moment the pipe becomes blocked regardless of knowledge
c. The insurer will pay the claim but exercise subrogation against the restaurant's business partner who cooked that day
d. The policy limit is permanently reduced by the amount of the fire claim unless an additional premium is paid

48. A store clerk walking to the bank with the daily cash deposit suffers a sudden fainting spell and falls unconscious on the sidewalk. A passerby takes the deposit bag while the clerk is unconscious. Which crime coverage responds to this loss?

a. Robbery insurance, because taking property while the custodian is unconscious meets the definition of robbery
b. Mercantile Stock Burglary insurance, because the deposit bag was unlawfully taken from the clerk
c. Commercial Property Broad Form (IBC 4037), because it automatically covers theft of business property
d. Valuable Papers and Records insurance, because bank deposit slips and currency are valuable records

48′. A merchant adds transit coverage for stock and leaves boxes of merchandise inside an unattended delivery van with a fully enclosed body. All doors are locked, but the driver leaves a side window slightly open for ventilation, and a thief reaches in to steal the boxes without leaving any marks. Is this loss covered?

a. Yes, because the delivery van has a fully enclosed body and all doors were locked
b. Yes, because the parked van qualifies as a temporary location outside the insured's control
c. No, unless the merchant also purchased Boiler and Machinery insurance for the delivery vehicle
d. No, because the Locked Vehicle Warranty requires closed windows, locked doors, and visible marks of entry

49. Shortly before its commercial property policy expires, a bakery suffers a covered fire that heavily damages its ovens. The bakery has a Business Interruption (Profits Form) endorsement with a 12-month indemnity period, and after reopening it experiences a drop in sales because regular customers switched to competitors during the closure. How will the Profits Form respond?

a. Coverage stops on the policy expiration date, paying only for the closure days prior to expiry
b. Coverage continues past policy expiry, but stops the exact day the ovens are repaired and the bakery reopens
c. Coverage is not limited by the policy expiration date and pays until income returns to pre-loss levels, up to 12 months
d. Coverage pays only the extra rent for a temporary oven and requires proof that doing so reduced the insurer's loss

49′. An insurance brokerage wants to ensure that if a fire destroys its office, it can immediately rent temporary quarters and lease computers at higher-than-normal cost so that operations never stop. Which coverage is specifically designed for this need?

a. Business Interruption (Earnings Form), which pays lost net profit while the business shuts down
b. Extra Expense Insurance (IBC 4027), which pays the extra costs above normal to continue operating
c. Builder's Risk — Broad Form (IBC 4042), which covers temporary offices for up to 30 consecutive days
d. Installation Floater, which covers office computers while being leased after a catastrophe

Chapter 8 · Principles of Legal Liability Property & Liability

Items marked ′ are variants on the same point: do one when you miss the main question.

50. A trainee broker is reviewing the sources of law used in Canadian provinces outside Quebec. Which of the following statements regarding common law and statute law is INCORRECT?

a. Common law is based on the rule of precedent, meaning courts generally follow decisions made in previous similar cases.
b. Statute law is written law enacted by federal or provincial legislatures that is based on previous court precedents.
c. When a newly enacted statute conflicts with an earlier common law precedent on the same subject, the statute takes priority.
d. Most provinces used statute law to lower the age of majority from the common law standard of 21 to 18 or 19.

50′. During a licensing study session, four candidates compare how common law and statute law operate in British Columbia. Which candidate's statement is ACCURATE?

a. Once a common law precedent is established by a court, a provincial legislature cannot override it by passing a statute.
b. Statute law can only be enacted by a legislature after courts have already established a line of precedent on the same issue.
c. Common law precedents set in previous cases can never be overturned by the courts even when social conditions have changed.
d. Written law enacted by parliament or a provincial legislature takes priority over any conflicting common law precedent.

51. To succeed in a civil action for a tort, the plaintiff must establish three essential elements. Which of the following is NOT one of those required elements?

a. The defendant owed a moral duty to the plaintiff to act with conscience and goodwill.
b. The defendant breached a legal duty owed to the plaintiff through an act or omission.
c. The plaintiff suffered actual injury or damage as a direct result of the defendant's breach.
d. The defendant's breach was the proximate cause of the loss without an intervening main cause.

51′. After slipping on icy steps outside a bakery, a courier breaks an ankle. On the way to the hospital, the ambulance is struck by a driver who runs a red light, giving the courier a concussion. Under the elements of a tort and negligence, what is the bakery occupier's legal position?

a. The occupier is liable for both the broken ankle and the concussion because the initial slip on the icy steps started the chain of events.
b. The occupier is presumed negligent for both injuries unless the occupier can prove that the bakery steps were properly cleared and salted.
c. The occupier may be liable for the broken ankle as a foreseeable direct result, but not for the concussion caused by the other driver.
d. The occupier owed only a moral duty to clear natural ice from the steps and therefore has no legal liability for either of the injuries.

52. Under the principle established in Rylands v. Fletcher, certain activities give rise to strict liability even without proof of negligence. Which statement about strict liability is CORRECT?

a. General liability insurance policies never cover strict liability claims because strict liability is treated the same as an intentional tort.
b. In a strict liability action, the burden of proof remains on the plaintiff to demonstrate that the defendant failed to act as a reasonable person.
c. Storing large amounts of highly flammable materials in a densely populated area or letting a deliberately lit fire escape triggers strict liability.
d. Keeping a domestic family dog on residential premises automatically places the dog owner under Rylands v. Fletcher strict liability rules.

52′. A rural farm operator brings tanks of toxic ammonia gas onto the property for agricultural processing. A valve fails despite regular maintenance, and escaping gas sickens neighbouring residents. How is the operator's liability determined?

a. The operator is strictly liable because a dangerous substance brought onto the premises escaped, and liability insurance generally covers this unless excluded.
b. The operator has no tort liability because the regular maintenance records prove the operator exercised the care of a reasonable and prudent person.
c. The operator is subject only to criminal penalties for the gas leak, meaning neither civil damages nor general liability insurance coverage applies.
d. The neighbouring residents bear the burden of proving the operator negligently or intentionally released the gas before any civil recovery is allowed.

53. Under traditional common law rules tested on the exam, what duty of care does an occupier owe to an invitee, such as a retail store customer?

a. To refrain from setting traps or intentionally causing harm to the customer while on the retail premises, without any duty to inspect for hazards.
b. To warn and protect the customer only against concealed or unusual dangers on the premises of which the occupier is actually aware at the time.
c. To ensure the premises are kept completely free from any danger whatsoever at all times, regardless of whether a hazard could be foreseen.
d. To protect the customer against both dangers known to the occupier and dangers that could be discovered by exercising reasonable care.

53′. A builder leaves an unfenced excavation pit with bright yellow machinery on a residential lot. A seven-year-old child wanders onto the lot to play on the machinery and is injured. Under the rules tested on the exam, how is this situation classified?

a. Because the child entered without permission, the child is treated as an adult trespasser and the builder only owes a duty not to set deliberate traps.
b. The unfenced pit and machinery are an attractive nuisance (allurement), so the occupier must keep the premises free from any danger to children.
c. The child is classified as a licensee on the lot, meaning the builder is liable only for concealed dangers of which the builder had actual knowledge.
d. The builder has no legal liability for the accident because parents are always legally responsible for injuries suffered by their minor children.

54. Which of the following statements accurately describes the legal responsibility of a landlord or a bailee for hire under the rules tested on the exam?

a. A bailee for hire who temporarily holds customer goods for a fee must exercise ordinary care matching the standard used by others in the same trade.
b. A bailee for hire owes the highest possible degree of care in tort and must protect customers' property against every possible source of loss.
c. A landlord of an unfurnished building automatically warrants that the premises will remain fit for the tenant's intended use throughout the lease.
d. In a multi-tenant building, the individual tenants rather than the landlord are responsible for maintaining common areas such as lobbies, stairs, and roofs.

54′. Under a residential lease for an unfurnished house, the landlord agrees to be responsible for structural repairs. A porch railing becomes rotten, and the tenant notifies the landlord twice over three weeks, but the landlord does nothing. A guest leans on the railing, falls, and is injured. Why is the landlord liable under the rules tested on the exam?

a. Because landlords are strictly liable for any injury occurring on leased premises regardless of notice.
b. Because the landlord contracted to make repairs and failed to do so after receiving reasonable notice of the defect.
c. Because a residential landlord acts as a bailee for hire with respect to the personal safety of the tenant's visitors.
d. Because every lease of an unfurnished dwelling carries an implied warranty of fitness throughout the lease term.

55. An appliance store employs a technician to install dishwashers. During lunch break, without the employer's knowledge, the technician takes a side job installing a water heater for a private acquaintance and floods the acquaintance's basement. Which statement is CORRECT regarding the employer's liability?

a. The employer is vicariously liable because the technician was wearing the store uniform and used trade skills learned on the job.
b. The employer is not vicariously liable because the technician was on a frolic of their own outside the course of employment.
c. The acquaintance can recover from the province's Workers' Compensation fund because the damage was caused by a worker.
d. The employer and the technician are joint tortfeasors and must each pay half of the basement damage.

55′. A commercial building owner hires a reputable independent roofing contractor to repair a flat roof. However, the building owner insists on supplying an old scaffolding rig that has a cracked plank and directs the crew on how to position it. The plank snaps and injures a passerby. Who is legally liable under the rules tested on the exam?

a. Only the independent roofing contractor is liable because a building occupier is never legally responsible for work performed by an outside contractor.
b. Neither party can be sued in tort by the injured passerby as long as the roofing contractor maintains active provincial Workers' Compensation coverage.
c. Only the building owner is liable because hiring an independent contractor automatically creates employer–employee vicarious liability for all site accidents.
d. Both the building owner and the contractor share liability because the owner supplied defective equipment and controlled how the work was done.

56. Which of the following statements concerning joint tortfeasors, animals, and children is CORRECT under the rules tested on the exam?

a. Parents are always personally and legally responsible for any property damage or bodily injury caused by their minor children.
b. The owner of a domestic dog is not legally liable for the first bite if the dog has never shown aggressive behaviour before.
c. When joint tortfeasors dispute their share of fault, each is held legally liable to the plaintiff for the full damage award.
d. Children under the provincial age of majority can never be held personally liable in civil court for torts that they commit.

56′. A 14-year-old is given a high-powered snowmobile by their parents and rides it unsupervised across a neighbour's landscaped yard, destroying rare shrubs. Under what rule can the neighbour hold the parents legally liable?

a. Although parents are generally not liable for a child's torts, they are liable here for failing to supervise a dangerous thing entrusted to the child.
b. Parents are automatically and unconditionally liable in tort for all property damage committed by an unmarried minor child living in their household.
c. Only the 14-year-old can be held liable because parents are responsible for a child's torts only when the child is employed in a parent's business.
d. Neither the child nor the parents can be held liable unless the snowmobile had previously caused similar property damage on a neighbour's premises.

Chapter 9 · Introduction to Liability Insurance Property & Liability

Items marked ′ are variants on the same point: do one when you miss the main question.

57. Which statement accurately describes the coverage provided under the insuring agreement of a standard liability insurance policy?

a. It pays both compensatory damages and punitive damages awarded by a court against the insured.
b. It covers loss of use of tangible property even when that property has not suffered physical damage.
c. It responds whenever the insured feels morally responsible for injuring another person on the premises.
d. It compensates the named insured for bodily injury suffered by the insured and damage to the insured's own property.

57′. A client asks her broker what types of damages and losses are covered by the insuring agreement of a liability policy. Which explanation is correct?

a. Property damage is restricted strictly to the direct cost of repairing or replacing damaged tangible items.
b. Bodily injury covers immediate physical trauma only and excludes subsequent sickness or death resulting from the injury.
c. Exemplary damages ordered by a judge to deter future misconduct are paid up to the per occurrence limit.
d. Compensatory damages owed to a third party for bodily injury or property damage caused by an occurrence are covered.

58. A delivery cart operated by a warehouse owner rolls down a ramp and injures a passerby. The owner immediately tells the passerby that he is completely at fault. Under a liability policy, who determines whether the owner is legally liable?

a. The insured warehouse owner, because his admission at the scene establishes legal responsibility.
b. The insurer's independent adjuster, after interviewing witnesses and reviewing the police report.
c. A court of law, although the insurer may settle out of court when the evidence clearly favours the plaintiff.
d. The injured third party's legal counsel, once a formal notice of a claim is served on the insured.

58′. After a visitor slips on wet tiles in a bakery, the bakery owner feels guilty and asks her broker to make sure the liability insurer pays the visitor right away. What should the broker explain about how liability coverage works?

a. The policy pays only if the insured is legally liable, which is decided by a court rather than by moral obligation.
b. Every liability claim must proceed through a full court trial before the insurer can pay any compensation.
c. The broker and the insurer's underwriter jointly decide whether negligence has been established on the premises.
d. Moral responsibility is sufficient to trigger payment as long as the injury occurred during the policy period.

59. From October to March, exhaust fumes from a workshop's newly installed vent continuously drift onto a neighbouring greenhouse, gradually ruining its exterior panels. How does an occurrence-basis liability policy treat this situation?

a. It is covered as an occurrence, which includes ongoing or repeated exposure to largely the same harmful conditions.
b. It is not covered because an occurrence must be a sudden, unusual event that can be pinpointed to a specific date and time.
c. It is covered only if the neighbour files a formal lawsuit before the workshop's current policy period expires.
d. It reduces the per occurrence limit permanently so that no limit remains for any subsequent accidents during the policy year.

59′. Which statement correctly distinguishes an occurrence-basis liability policy from other concepts in liability insurance?

a. An accident is broader than an occurrence because an accident covers gradual exposure over several months.
b. Under an occurrence-basis policy, coverage is triggered only when the claim is first reported before the policy expires.
c. An occurrence-basis policy covers injury or damage occurring during the policy period, regardless of when a claim is made.
d. The limit per occurrence represents the maximum total amount the insurer will pay for all claims combined during the policy term.

60. A food processing company carries an occurrence–basis commercial liability policy with a per occurrence limit of $2,000,000 and an aggregate limit of $4,000,000. During the policy year, the insured is held legally liable for three separate occurrences resulting in claims of $1,500,000, $2,500,000, and $1,200,000 in that order. How much will the insurer pay for the third occurrence?

a. $0, because the first two claims already exceeded the $2,000,000 per occurrence limit.

b. $1,200,000, because the third claim is below the $2,000,000 per occurrence limit.

c. $2,000,000, because the full per occurrence limit reinstates automatically for every claim.

d. $500,000, because the first two claims used $3,500,000 of the $4,000,000 aggregate limit.

60′. A contractor's liability policy has a per occurrence limit of $1,000,000 and an aggregate limit of $2,000,000. During the policy period, three covered occurrences result in legal liability of $600,000, $900,000, and $800,000 respectively. What amount will the insurer pay for the third claim?

a. $800,000, because each claim is individually under the $1,000,000 per occurrence limit.

b. $500,000, because the first two claims used $1,500,000 of the $2,000,000 aggregate limit.

c. $0, because the first two claims already exceeded the $1,000,000 limit stated on the policy.

d. $1,000,000, because the per occurrence limit resets in full after each covered occurrence.

61. A liability policy is written with split limits of $50,000 / $100,000 / $25,000. In a single occurrence, three pedestrians suffer bodily injury awards of $60,000, $45,000, and $20,000 respectively. How much does the policy pay in total for the three injured pedestrians, and how much is allocated to the third pedestrian?

a. $100,000 in total, with $20,000 allocated to the third pedestrian because her claim is under $50,000.

b. $100,000 in total, with $5,000 allocated to the third pedestrian after applying the per person and per occurrence limits.

c. $115,000 in total, with $20,000 allocated to the third pedestrian because each person is capped only by the $50,000 per person limit.

d. $125,000 in total, because the $25,000 third limit can be added to cover the remaining bodily injury claims.

61′. A policy carries split limits of $100,000 / $250,000 / $50,000. One occurrence causes bodily injury to three passengers in the amounts of $120,000, $150,000, and $100,000. How much will the insurer pay for the third passenger after paying the first two?

a. $50,000, as the first two receive $100,000 each under the per person limit, leaving $50,000 of the $250,000 occurrence limit.
b. $100,000, because the third passenger's bodily injury claim does not exceed the $100,000 per person limit.
c. $0, because the first two claims totaling $270,000 already exhausted the $250,000 per occurrence bodily injury limit.
d. $100,000, because the $50,000 property damage limit supplements the exhausted per occurrence bodily injury limit.

62. Which action is permitted or required under the insured's duties after a loss in a standard liability insurance policy?

a. Waiting to report an accident until the injured customer actually hires a lawyer and serves a lawsuit.
b. Using every available means to prevent the injured third party from filing a claim against the policy.
c. Paying for immediate first aid for an injured visitor at the time of the accident without prior insurer consent.
d. Handing a small cash payment to the injured person at the scene in exchange for a promise not to sue.

62′. A customer trips over a display rack in a hardware store. Although she says she feels fine, the store owner drives her home and gives her a cheque to cover her torn coat so she will not complain. He does not notify his insurer until a writ arrives two weeks later. Which statement about the owner's actions is correct?

a. He complied with the reporting duty because no notice is required until a formal notice of a claim is received.
b. The insurer must reimburse the cheque for the coat because it qualifies as emergency first aid at the scene.
c. His payment for the coat fulfilled his duty to prevent the customer from filing a formal liability claim.
d. He breached his policy duties by failing to report the occurrence promptly and by paying without insurer consent.

63. An insured carries a liability policy with a $1,000,000 limit per occurrence. A court awards a plaintiff a compensatory judgment of $2,000,000 against the insured. The insurer takes three months to consider an appeal before deciding to pay. How do the policy's supplementary payments apply to this judgment?

a. The insurer pays defence costs, court costs, and post–judgment interest on only the $1,000,000 limit, over and above that limit.

b. The supplementary payments cover the extra $1,000,000 of the judgment principal that exceeds the per occurrence limit.

c. The insurer pays post–judgment interest on the entire $2,000,000 award because the insurer caused the three–month delay.

d. All defence costs and court costs are deducted from the $1,000,000 policy limit before paying the plaintiff.

63′. Which item is NOT covered under the supplementary payments agreement of a liability insurance policy?

a. Reasonable expenses incurred by the insured at the insurer's request to assist with the defence.

b. The portion of a compensatory damages judgment that exceeds the policy's limit of liability.

c. Court costs taxed against the insured by the judge at the conclusion of the liability lawsuit.

d. Costs of defence, including legal fees and the cost of hiring an independent claims adjuster.

Chapter 10 · Liability Insurance Policies Property & Liability

Items marked ′ are variants on the same point: do one when you miss the main question.

64. Under Section II of a Homeowners Policy, which of the following locations is automatically included within the definition of 'premises' without being specifically listed on the Coverage Summary page?

a. A mountainside ski chalet owned by the named insured and used only during winter holidays
b. A family cemetery plot or burial vault owned by an insured for household members
c. An unimproved agricultural field in Canada leased by the insured for growing hay
d. A beach house rented by the insured under a continuous lease exceeding 90 days

64′. A named insured wants to know which property is automatically covered as 'premises' under Section II of her Homeowners Policy without being listed on the Coverage Summary. Which location qualifies?

a. A vacant non–farm building lot purchased by the insured outside Canada for future residential construction
b. A site in Canada where a commercial retail plaza is being constructed by an independent contractor for the insured
c. A seasonal summer cabin in Canada owned by the insured's spouse that was omitted from the Coverage Summary page
d. A newly acquired house in Canada intended as the insured's principal residence within 30 days of taking possession

65. In which of the following situations would Coverage E (Legal Liability) of a Homeowners Policy respond to pay for the resulting compensatory damages?

a. The insured borrows a neighbour's chainsaw to trim tree branches and drops it, cracking its casing
b. The insured volunteers to install shelving on a friend's antique bookcase and drills through the side panel
c. While renting a vacation chalet, the insured accidentally leaves a faucet running and water damage ruins the owner's floor
d. The insured's child living in the same household trips over a garden hose on the insured's lawn and suffers an injury

65′. Which of the following claims is covered under Coverage E (Legal Liability) of a standard Homeowners Policy?

a. A residence employee cleaning the insured's windows is injured when a negligently maintained porch railing gives way
b. Smoke from an open wood-burning fireplace in a rented ski lodge stains the owner's walls and curtains
c. A paying boarder living in the insured's home slips on a wet hallway floor and sues the insured
d. The insured verbally agrees to assume all liability for any damage when borrowing a colleague's electric bicycle

66. Under Coverage F (Voluntary Medical Payments) of Section II of a Homeowners Policy, which of the following expenses is covered?

a. Ambulance and nursing expenses incurred within one year after a visitor falls on the front steps without the insured's fault
b. Emergency hospital bills for the named insured's spouse who slips in the insured's kitchen
c. Surgical expenses for an injured guest that have already been paid by a provincial hospitalization plan
d. Dental treatment incurred by a neighbour more than one year after being accidentally struck by the insured on the premises

66′. Which statement accurately describes how Coverage F (Voluntary Medical Payments) operates under a Homeowners Policy?

a. It pays medical expenses for the named insured when accidentally injured while travelling outside Canada
b. It covers workplace medical expenses for an injured worker who is entitled to provincial workers' compensation benefits
c. It pays reasonable medical, dental, ambulance, and funeral bills within one year of an accident regardless of fault
d. It responds only after a court determines that the insured is legally liable for the visitor's bodily injury

67. Which of the following property losses is covered under Coverage G (Voluntary Payment for Damage to Property) of a Homeowners Policy?

a. The insured's 15–year–old deliberately lets the air out of a neighbour's car tires and breaks the valve stems
b. A houseguest's laptop goes missing from the insured's car while the insured is driving the guest to the airport
c. The insured accidentally drops a heavy toolbox onto a glass table owned by a tenant renting the insured's basement
d. The insured's 8–year–old, upset after losing a game, deliberately snaps a neighbour's fishing rod in half

67′. A homeowner asks whether Coverage G (Voluntary Payment for Damage to Property) will respond to several recent incidents. Which incident is eligible under Coverage G?

a. A neighbour's bicycle borrowed by the insured is stolen while parked outside a store
b. While helping a neighbour move a patio heater, the insured accidentally drops and cracks it without being legally liable
c. The insured accidentally scratches a dining room table that the insured owns and insures under Section I of the policy
d. A neighbour claims loss of rental income after the insured accidentally damages the neighbour's lawn equipment

68. While on holiday, an insured borrows a friend's motorboat equipped with an inboard engine exceeding 38 kW (50 H.P.) and accidentally collides with another vessel, injuring its passenger and damaging the hull of the borrowed boat. How does Section II of the insured's Homeowners Policy respond?

a. Nothing is covered because the inboard engine exceeds the 38 kW (50 H.P.) automatic limit
b. Liability for the passenger's injury and the other vessel is covered, but damage to the borrowed boat itself is excluded
c. Both the damage to the borrowed boat and the injury to the passenger are fully covered under Coverage E
d. Only the repair of the borrowed boat is covered, while the passenger's injury must be claimed under marine insurance

68′. Which of the following watercraft, motorized vehicles, or trailers owned by the insured is automatically covered for liability under Section II of a Homeowners Policy without requiring an endorsement?

a. An owned boat with an outboard motor rated at 38 kW (50 H.P.) that was purchased several years ago
b. A camping trailer that breaks loose and hits a cyclist while being towed down a road by a registered automobile
c. An owned self-propelled snow blower with an engine not exceeding 19 kW (25 H.P.) used on the insured's driveway
d. A motorized golf cart driven by the insured along public residential streets to a grocery store

69. According to the standard Homeowners Policy wording tested on the exam, business pursuits are excluded under Section II EXCEPT for temporary or part-time business pursuits of an insured person who is under what age?

a. Under the age of 21
b. Under the age of 12
c. Under the age of 16
d. Under the age of 25

69′. Under Section II of a Homeowners Policy, which of the following business-related activities is automatically covered as an exception to the business pursuits exclusion without requiring an endorsement?

a. Renting out more than 3 car spaces or stalls in the insured's garage and stable to neighbours
b. Accommodating more than 2 roomers or boarders in a single family unit of an insured two-family dwelling
c. Providing professional architectural design services to paying clients from a home studio
d. Occasionally renting out the portion of the dwelling usually occupied by the insured while away on a winter holiday

70. A plumbing contractor finishes installing a new water heater in a customer's home and leaves after the job is accepted. Later, a poorly soldered pipe joint bursts and floods the customer's basement. Under a Commercial General Liability (CGL) policy, which hazard covers this claim?

a. Premises and operations liability
b. Products liability
c. Completed operations liability
d. Errors and omissions (E&O)

70′. Under a Commercial General Liability (CGL) policy, which of the following claims falls under the definition of 'personal injury' rather than 'bodily injury' or professional liability?

a. A grocery shopper trips over an unattended stock cart in a store aisle and breaks an ankle
b. A retail store manager publishes a false written statement that libels a competing local merchant
c. A consumer is scalded when a defective glass coffee carafe sold by a kitchenware shop shatters during use
d. A dentist negligently damages a patient's nerve while performing a routine tooth extraction

Chapter 11 · Accident and Sickness Insurance and Travel Insurance

A&S / Travel

Items marked ′ are variants on the same point: do one when you miss the main question.

71. An individual disability income policy has been in force for more than two years when the insurer discovers while reviewing a claim that the insured accidentally misstated their age on the original application, and also still owes an overdue renewal premium. How should the insurer handle this claim?

a. Void the policy immediately because any misstatement discovered during a claim invalidates the contract regardless of when the policy took effect

b. Pay the full stated benefit without adjustment because the two-year incontestability period bars the insurer from changing benefits or collecting overdue premiums

c. Keep the policy in force, adjust the benefits or premiums to reflect the insured's true age, and deduct the unpaid premium from the claim payment

d. Suspend the claim until the insured obtains written consent from a family member and pays an administrative penalty on the overdue premium

71′. More than two years after issuing an individual accident and sickness policy, an insurer proves that the applicant intentionally concealed a serious heart condition on the application. Which statement correctly describes the insurer's legal position?

a. The insurer may challenge the contract at any time and typically declare it void because fraudulent misrepresentation is an exception to incontestability

b. The insurer cannot contest the statement or deny the claim because more than two years have passed since the policy became effective

c. The insurer must keep the policy active and simply adjust the monthly benefit or premium to reflect the true risk as for a misstatement of age

d. The insurer may only deduct past-due premiums from the claim payment because the original application does not form part of the insurance contract

72. A self-employed graphic designer wants to lower the premium on a new individual disability income policy while also understanding how insurers adjust rates on cancellable versus non-cancellable contracts. Which combination of policy choices and contract rules is accurate?

a. Choose a shorter elimination period and an own-occupation definition; under a cancellable policy, the insurer may raise the rate of a single policyholder who files frequent claims
b. Choose a longer elimination period, a shorter benefit period, and an any-occupation definition; under a non-cancellable policy, premiums are guaranteed to age 65 and cannot be changed
c. Choose a longer benefit period and a shorter elimination period; under a non-cancellable policy, the insurer may increase premiums across an entire occupation class at renewal
d. Choose an own-occupation definition and a shorter benefit period; insurers generally offer lower rates to applicants over age 60 because illness claims decrease with age

72′. When setting premiums for individual accident and sickness policies, an insurer evaluates three main pricing factors, one of which is the cost of claims. Which of the following correctly identifies the other two pricing factors and the rule for rate increases on a standard renewable policy?

a. Mode of transportation and provincial tax rates; the insurer may single out an individual insured for a rate increase at renewal after a large claim
b. Insurable earnings limit and statutory conditions; the insurer may never adjust renewal rates even if the claims experience of an entire class deteriorates
c. Operating expenses and employer assessments; the insurer must cancel the entire occupation class if any single member develops a serious chronic illness
d. Operating expenses and investment income; the insurer may raise renewal premiums for an entire class with poor claims experience, without singling out one insured

73. A concert violinist injures a hand in a domestic accident and can no longer play the violin, but soon takes a well-paid position teaching music appreciation at a college. Under which definition of disability will the violinist continue to receive full disability income benefits, and when do benefits generally end?

a. Own occupation definition; benefits continue after the elimination period until recovery, death, or the end of the benefit period, whichever comes first
b. Any occupation definition; benefits continue after the elimination period until recovery, death, or the end of the benefit period, whichever comes last
c. Any occupation definition; benefits continue in full as long as the insured's new teaching salary stays below the policy's insurable earnings limit
d. Own occupation definition; benefits continue after the elimination period only until the insured starts earning income from any alternative employment

73′. An insured accountant holds a disability income policy with the narrowest definition of disability. After an injury, the insured can no longer work at their former firm but is fully capable of working as a financial analyst with comparable pay based on their education and training. How will the policy respond?

a. Pay full monthly benefits because the narrowest definition is own occupation, which only tests whether the insured can perform duties at their original firm
b. Pay 90% of net earnings for up to 52 weeks from the first day of injury because the insured changed employers and occupations after the accident
c. Pay no benefits because the narrowest definition is any occupation, and the insured can perform a job suited to their education, training, experience, or earnings
d. Pay full monthly benefits until age 65 regardless of recovery because the insured cannot return to their exact prior position at the accounting firm

74. An employee covered under an employer's group insurance plan misses a couple of days of work due to a common flu, and later resigns from the company. How does the group weekly indemnity and disability coverage apply to these two events?

a. Weekly indemnity pays from the first day of the flu, and disability coverage continues for two years after resignation under the incontestability rule
b. Weekly indemnity does not pay for the brief flu absence, and long term disability coverage automatically converts to an individual policy at the employer's expense upon resignation
c. Weekly indemnity pays 90% of net earnings for the brief flu absence, and coverage ends immediately when employment terminates
d. Weekly indemnity does not pay for the brief flu absence because sickness benefits begin on the 4th, 8th, or 15th day, and disability coverage terminates automatically when employment ends

74′. An employee covered by a group insurance plan with a 26-week weekly indemnity benefit and long term disability (LTD) coverage breaks an ankle in a weekend recreational accident and remains disabled for well over a year while still employed. When do the weekly indemnity and LTD benefits begin?

a. Weekly indemnity begins on the 4th, 8th, or 15th day of disability, and LTD eligibility begins only after a two-year incontestability period
b. Weekly indemnity begins on the first day of disability caused by the accident, and LTD eligibility begins when the 26-week weekly indemnity period ends
c. Neither group benefit pays because non-occupational weekend accidents are covered exclusively by the provincial workers' compensation plan
d. LTD begins on the first day of the recreational accident, while weekly indemnity only reimburses prescription drugs and routine dental care

75. A bakery employee suffers severe burns while operating a commercial oven at work and is temporarily disabled. Under the rules tested on the exam for provincial workers' compensation plans, how are premiums funded, what are the employee's legal rights against the employer, and how is temporary disability income calculated?

a. Premiums are paid solely by employers; the employee receives no-fault benefits and gives up the right to sue the employer; temporary disability pays 90% of net earnings

b. Premiums are split equally between employer and employee; the employee may sue the employer for pain and suffering in addition to receiving 90% of gross earnings

c. Premiums are paid solely by employers; benefits begin after an 8-day waiting period and also cover car accidents on the employee's commute home

d. Premiums are paid by the employee through payroll deduction; the plan covers both occupational injuries and naturally occurring illnesses at 90% of net earnings

75′. A cabinetmaker develops a chronic lung condition from inhaling wood treatment chemicals on the job, and shortly after returning to work breaks a wrist in a collision while driving home after a shift. How does a provincial workers' compensation plan respond to these two disabilities?

a. Neither condition is covered because illness is the leading cause of disability and all motor vehicle collisions are excluded

b. Both conditions are covered from the first day of disability at 90% of net earnings because the worker is an employee in a compulsory industry

c. The lung condition is covered as an industrial disease, but the wrist injury on the drive home is not work-related and is not covered by workers' compensation

d. The wrist injury is covered because commuting is part of employment, while the lung condition must be claimed under individual accident and sickness insurance

76. A couple is purchasing a family travel insurance policy for a vacation outside their province. Which factor is NOT used by insurers to determine the travel policy premium, and which family member qualifies as a dependant child under standard travel insurance provisions?

a. Travel destination is not a pricing factor; an unmarried 27-year-old unemployed child living with and fully supported by the parents qualifies as a dependant child

b. Mode of transportation is not a pricing factor; an unmarried child under age 26 attending an accredited university and fully supported by the parents qualifies as a dependant child

c. Age and health of the insured are not pricing factors; any child under age 26 qualifies as a dependant child regardless of school enrolment or marital status

d. Duration of the trip is not a pricing factor; a 27-year-old child working full-time and living with the parents qualifies as a dependant child

76′. Before leaving on a trip outside the province, a traveller asks how travel insurance handles a pre-existing medical condition diagnosed prior to departure and whether standard statutory conditions apply to travel policies. Under the rules tested on the exam, which statement is correct?

a. Pre-existing conditions are automatically covered on any single trip under 180 days, and travel insurance policies are exempt from provincial statutory conditions
b. Pre-existing conditions are covered only if the traveller travels by commercial airline, and all insurers use a standard policy wording identical to homeowner forms
c. Pre-existing conditions are permanently excluded under all policies unless the traveller is under age 20, and statutory conditions apply only to group travel plans
d. Pre-existing conditions are not automatically covered, though some policies cover them after a 3- or 6-month stability period, and statutory conditions apply

77. Four travellers file claims under their travel insurance policies for events occurring during a trip outside the province. Based on common travel insurance exclusions and ancillary coverages, which claim is covered?

a. Emergency hospital and medical charges for routine childbirth occurring within eight weeks before the insured's expected delivery date during a normal pregnancy
b. Emergency medical treatment and hospital care for a broken collarbone sustained while competing for prize money in a professional snowboarding tournament
c. Emergency hospital care and non-refundable prepaid travel expenses up to policy limits under trip interruption after sudden severe food poisoning midway through a tour
d. Reimbursement of non-refundable prepaid cruise tickets under trip cancellation coverage after the insured fractures a leg midway through the ocean voyage

77′. Prior to departing on a prepaid international tour, an insured's immediate family member covered by the policy terms passes away unexpectedly, making it impossible for the insured to travel. Which travel insurance coverage responds to this loss, and how does it differ from coverage that applies after departure?

a. Trip cancellation coverage responds because the covered event occurred before departure, whereas trip interruption coverage applies only after departure
b. Trip interruption coverage responds because non-refundable prepaid travel deposits are only insured under interruption clauses prior to the departure date
c. Optional non-medical baggage and passport coverage responds because a relative's death is not a personal medical emergency of the insured traveller
d. Neither coverage responds unless the insured traveller is already more than 500 kilometres away from home when the immediate family member passes away

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

Items marked ′ are variants on the same point: do one when you miss the main question.

78. Nadia is the principal driver on an Autoplan policy with a driver factor of 1.000. Which of the following listed-driver changes would result in a combined driver factor that is LOWER than Nadia's individual factor of 1.000?

a. Listing her brother, who has a driver factor of 0.700, and her newly licensed son, who has a driver factor of 1.250

b. Listing only her next-door neighbour, who borrows the car on weekends and has a driver factor of 0.650

c. Listing only her spouse, who regularly drives the family car and has an individual driver factor of 0.720

d. Listing only her household roommate, who is not related to her or employed by her and has a driver factor of 0.680

78′. Marcus is listed as the principal driver of his personal car with a driver factor of 0.900. He also lists his sister (driver factor 0.650) and his nephew (driver factor 1.150) on the policy. How will ICBC calculate the combined driver factor for this policy?

a. 75% based on Marcus's 0.900 factor and 25% based on his nephew's highest-risk 1.150 factor

b. 75% based on Marcus's 0.900 factor and 25% based on his sister's lowest-risk 0.650 factor

c. 50% on Marcus's 0.900 factor, 25% on his sister's 0.650 factor, and 25% on his nephew's 1.150 factor

d. 100% based on his nephew's 1.150 factor because the highest-risk listed driver overrides all others

79. Under the rules tested on the exam, which of the following drivers qualifies for crash forgiveness so that a single chargeable claim will not increase their driver factor?

a. A driver with 20 years of driving experience in British Columbia and no chargeable claims during the past 10-year scan period

b. A new resident who drove accident-free for 22 years outside the province before obtaining a British Columbia licence last year

c. A driver who has 15 years of driving experience in British Columbia and has remained claim-free since March 1, 2017

d. A driver who has 25 years of driving experience in British Columbia and had one chargeable claim 6 years ago

79′. Elena moved to British Columbia from another jurisdiction two months ago after 18 years of licensed driving. Two years before moving, she caused a rear-end collision in her former home jurisdiction. How will ICBC treat her history when setting her driver factor?

a. ICBC counts the prior rear-end collision because it occurred after March 1, 2017, and falls within the 10-year scan period
b. ICBC reviews all 18 years of her prior driving record, ignores the pre-BC crash, and grants immediate crash forgiveness
c. ICBC assigns a reduced learner-style driver factor for her first 3 years and disregards her out-of-province licence record
d. ICBC applies a higher factor for up to 3 years, checks up to 15 years of prior licensing, and ignores the pre-BC crash

80. While driving on a highway in British Columbia after May 1, 2021, a visiting tourist from Washington State is injured in a collision caused by a careless BC motorist. Which statement accurately describes how Enhanced Care applies to this situation?

a. Because the injured person is a non-resident, they retain the full tort right to sue the at-fault BC driver in court for bodily injury and pain and suffering
b. The tourist is generally barred from suing for bodily injury, while ICBC still assigns fault for vehicle damage and the BC driver's factor
c. Because British Columbia uses a no-fault system, ICBC no longer assigns fault percentages to either driver after a highway collision
d. Only innocent victims receive medical and rehabilitation benefits under Enhanced Care, while the at-fault BC driver is excluded from care benefits

80′. A client asks their broker why ICBC still investigates who caused a collision if British Columbia moved to Enhanced Care on May 1, 2021. Which of the following is NOT affected by ICBC's fault determination?

a. Whether an injured BC resident qualifies for medical and rehabilitation benefits
b. How a policyholder's own vehicle damage claim is settled under their Autoplan policy
c. Whether an involved motorist's individual driver factor will increase at policy renewal
d. Whether the vehicle's registered owner must pay an Unlisted Driver Accident Premium (UDAP)

81. Liam renews his 12-month Autoplan policy on his passenger car and submits a mechanic's invoice from 4 days ago showing he drove exactly 7,200 km over the past year. Under the rules tested on the exam, which mileage discount does Liam qualify for?

a. Only the 10% Low-Kilometre discount on Autoplan Basic coverage, with no Optional coverage discount

b. Both the 10% Basic Low-Kilometre discount and the 10–15% Optional Distance-Based discount

c. Neither mileage discount, because odometer proof must be a photo taken on the exact day of renewal

d. Only the 10–15% Distance-Based discount on eligible Optional coverages, with no Basic discount

81′. Margaret, age 68, insures her sedan in the pleasure use rate class and receives the Senior discount. How many days per calendar month may she use the car for commuting or errands to work, and what happens if she has one chargeable claim?

a. Up to 4 days per calendar month; a first chargeable claim immediately cancels the entire Senior discount for 10 years

b. Up to 6 days per calendar month; one chargeable claim reduces the discount, and a second within 10 years cancels it

c. Zero days per calendar month for commuting; any non-pleasure trip voids the Senior discount for the full policy term

d. Up to 10 days per calendar month; one chargeable claim has no impact if the car has a passive electronic immobilizer

82. Tariq lends his car to an unlisted friend who holds a BC driver's licence. The friend causes a collision for which ICBC pays a claim, and Tariq's policy does not have Unlisted Driver Protection (UDP). Tariq paid $1,000 for Basic and $350 for Optional coverage. Had the friend been listed, the premiums would have been $1,200 for Basic and $450 for Optional. Under the rules tested on the exam, what happens to Tariq's driver factor and how much is his Unlisted Driver Accident Premium (UDAP)?

a. Tariq's driver factor is unaffected; he owes a UDAP of $3,900

b. Tariq's driver factor is unaffected; he owes a UDAP of $4,500

c. Tariq's driver factor increases at renewal; he owes a UDAP of $3,900

d. Tariq's driver factor is unaffected; he owes a UDAP of $3,700

82′. In which of the following situations will ICBC charge the registered owner an Unlisted Driver Accident Premium (UDAP)?

a. An unlisted neighbour borrows the car for a medical emergency, causes a minor scrape, and no claim payment is made by ICBC
b. An unlisted coworker with a cleaner record than the owner causes a paid at–fault claim, where listing them would not have raised the premium
c. An unlisted higher–risk cousin causes an at–fault crash paid by ICBC, and the owner's policy has no Unlisted Driver Protection (UDP)
d. The listed principal driver receives two convictions for using an electronic device while driving during the policy term

83. A resident of Kamloops wants $2,000,000 in third–party liability coverage and a lower collision deductible than the minimum offered by ICBC. How do British Columbia's auto insurance rules govern where the resident can buy these coverages?

a. Autoplan Basic, the extended third–party liability, and the lower collision deductible can all be bought as one package from a private insurer
b. Autoplan Basic must come from ICBC, extended third–party liability from ICBC or a private insurer, and the lower deductible from a private insurer
c. Autoplan Basic and all collision coverage must come exclusively from ICBC, while only excess third–party liability may come from a private insurer
d. Autoplan Basic and extended liability may come from ICBC, and ICBC can also issue the lower deductible with Utilities Commission (BCUC) approval

83′. Which statement correctly compares the provincial automobile insurance systems across Canada?

a. Ontario, British Columbia, and Saskatchewan all operate compulsory government plans with a $200,000 minimum third–party liability limit
b. In Quebec's hybrid system, the provincial government covers property damage while private insurers provide compulsory bodily injury coverage
c. British Columbia, Saskatchewan, and Manitoba use the Facility Association to provide basic coverage for high–risk drivers refused by private insurers
d. BC, Saskatchewan, and Manitoba run compulsory government plans with $200,000 minimum liability, while Quebec's government covers bodily injury

84. Which combination accurately pairs an Autoplan Basic premium adjustment factor with the way ICBC applies it?

a. Rate group — adjusts the Autoplan Basic premium according to whether the vehicle is driven for pleasure or commercial delivery
b. Territory — assigns a passenger car based on where it is normally driven, and a taxi or bus based on where it is garaged overnight
c. Rate class — adjusts Basic premium by vehicle use across over 150 classes, with commercial use costing more than pleasure use
d. Demographic factor — adjusts the Autoplan Basic premium according to the principal driver's age, gender, and marital status

84′. Someone moves to British Columbia to take up residency and brings two vehicles from Alberta: a personal SUV and a commercial dump truck with a gross vehicle weight over 5,000 kg. Under the rules tested on the exam, within what time frame must each vehicle be registered, licensed, and insured in BC?

a. Both the personal SUV and the heavy commercial truck have up to 30 days to be registered and insured
b. The personal SUV must be registered within 30 days, and the heavy commercial truck must be registered immediately
c. The personal SUV has up to 6 months if used only for pleasure, while the commercial truck has 30 days
d. Both vehicles must pass both federal and provincial inspections and be registered within 7 days of crossing the border

Chapter 13 · Autoplan Basic Coverage and Own-Damage Coverage Automobile

Items marked ′ are variants on the same point: do one when you miss the main question.

85. Elena, a BC resident employed full-time as a lab technologist, earns an annual gross salary of $80,000 and takes home $60,000 in net income after taxes. She is injured in a highway collision in BC and is unable to work for several months. She also has a short-term disability plan through her employer. How does the Income Replacement benefit under Enhanced Accident Benefits (EAB) respond?

a. It is based on 90% of her $80,000 gross income, starts on the first day after the crash, and pays before her employer disability plan.
b. It pays 90% of her $60,000 net income ($54,000 annualized), begins on the eighth day after the crash, and pays after her employer disability plan.
c. It is based on 75% of her $60,000 net income, begins on the fourteenth day after the accident, and is reduced by her percentage of fault.
d. It pays a flat lump-sum settlement from the Permanent Impairment schedule on the eighth day, replacing all employer disability benefits.

85′. Marcus, a 67-year-old BC resident who is still working part-time as a bookkeeper with an annual net income of $40,000, is entirely at fault for a rear-end collision in BC that leaves him unable to work for six weeks. He has Employment Insurance (EI) sickness benefits available. Which statement accurately describes his eligibility for EAB Income Replacement?

a. He is ineligible because individuals aged 65 or older and drivers who are 100% at fault are excluded from receiving Income Replacement.
b. He qualifies for 90% of his gross income starting on the first day of disability, and EAB pays ahead of EI sickness benefits.
c. He qualifies for Caregiver Benefits instead of Income Replacement because anyone over age 65 is automatically placed in the caregiver category.
d. He qualifies despite his age and fault, receiving 90% of his $40,000 net income starting on the eighth day and paying after EI.

86. A commercial truck registered in BC with a gross vehicle weight exceeding 5,000 kg is hauling retail freight for hire (not dangerous goods). The driver loses control on a BC highway and crashes into a roadside bakery, destroying the building facade and forcing the shop to close for three weeks. Under the truck's Basic Autoplan Third-Party Liability (TPL) coverage, how are the bakery owner's claims handled?

a. The bakery owner can sue for the building damage and business interruption loss, and the heavy commercial truck automatically carries $1 million in Basic TPL.
b. All lawsuits are banned in BC, so the bakery owner must claim under Basic Vehicle Damage (BVD) up to $200,000 for both the building and the lost income.
c. The bakery owner can sue for the building damage and business interruption, and the truck automatically carries $2 million in Basic TPL because all commercial trucks get that limit.
d. The bakery owner can sue only for the building facade up to $200,000, because business interruption is excluded from all Third-Party Liability claims.

86′. While backing out of his own driveway in BC, Victor accidentally crashes his car into his own detached garage wall and also crushes an unlicensed utility trailer that he was towing on the public street without a required licence. How does Victor's Basic Third-Party Liability (TPL) respond to these damages?

a. Basic TPL pays up to $200,000 for the garage wall because it is non-vehicle property, and pays 50% of the unlicensed trailer damage.
b. Basic TPL pays for the unlicensed trailer under the off-highway exception, while the garage wall is covered under the Statutory Uninsured Motorist Provision.
c. Basic TPL covers neither loss, because property owned or rented by the insured and towing an unlicensed trailer that requires a licence are TPL exclusions.
d. Basic TPL covers both the garage wall and the trailer up to $1 million because residential driveways are exempt from highway licensing rules.

87. Nora is involved in a two-car collision on a BC highway. Her car sustains $15,000 in repairable damage, and she is determined to be 40% at fault for the crash. She carries Basic Autoplan plus optional Collision coverage with a $500 deductible. How will her vehicle repair costs and deductible be settled?

a. Basic Vehicle Damage (BVD) pays nothing because she was partially at fault; optional Collision pays $15,000 minus the full $500 deductible.
b. BVD pays 60% ($9,000), and optional Collision covers her 40% at-fault share ($6,000) with Nora paying 40% of her Collision deductible ($200).
c. BVD pays the entire $15,000 up to the $200,000 limit regardless of fault, and Nora pays 40% of a $750 statutory deductible.
d. BVD pays 40% ($6,000) representing her fault share, while the other driver's Third-Party Liability pays the remaining 60% ($9,000).

87′. While parked on an unpaved off-highway forest service trail in BC, Gavin's licensed pickup truck is struck by a farm tractor, causing $4,000 in body damage. Gavin is 0% at fault and carries both Basic Autoplan and optional Collision coverage. How is the $4,000 damage to Gavin's pickup covered?

a. BVD does not apply because a farm tractor is a non-standard vehicle in an off-highway crash; Gavin uses his optional Collision coverage.
b. BVD pays the full $4,000 with no deductible because Gavin was 0% at fault and the incident occurred within BC's territorial limits.
c. Inverse Liability pays 100% of the $4,000 repair bill because off-highway forest trails are treated as no-lawsuit jurisdictions.
d. The Statutory Uninsured/Unidentified Motorist Provision pays $4,000 minus a $750 deductible because farm tractors are exempt from standard plates.

88. A BC policyholder is driving in a U.S. state that permits motor vehicle injury lawsuits. An at-fault local driver runs a red light and severely injures the BC policyholder. The court awards $600,000 in damages, but the at-fault driver's Third-Party Liability limit is only $50,000. Under the rules tested on the exam, which Basic Autoplan coverage responds to the $550,000 shortfall and up to what maximum limit?

a. Basic Vehicle Damage (BVD), up to a maximum limit of $200,000 per accident.
b. Inverse Liability, paying 100% of the $550,000 bodily injury shortfall with no overall cap.
c. Underinsured Motorist Protection (UMP), covering the difference up to a maximum limit of $1 million per injured person.
d. Statutory Uninsured/Unidentified Motorist Provision, covering the difference up to $200,000 subject to a $750 deductible.

88′. Which of the following statements accurately describes the eligibility rules for Underinsured Motorist Protection (UMP) under Basic Autoplan?

a. UMP applies only outside BC and never responds to any off-highway accident occurring within BC.
b. UMP requires both that the injured insured or household member is not entitled to EAB and that the at-fault driver's TPL cannot pay the awarded damages.
c. UMP pays up to $200,000 to repair a BC resident's fence or building struck on a BC highway by an unidentified hit-and-run driver.
d. UMP automatically tops up Enhanced Accident Benefits (EAB) up to $1 million for any collision on a BC highway where the driver is 0% at fault.

89. During a violent windstorm at night, a large cedar tree falls across a BC highway. Driving around a bend moments later, Liam cannot stop in time and crashes the front of his car into the fallen tree lying on the road. If Liam carries both optional Collision and Comprehensive coverages, which coverage responds to the damage to his car?

a. Comprehensive coverage, because the tree was blown down by a windstorm and weather perils are always Comprehensive claims.

b. Specified Perils coverage, because fallen trees on a roadway are classified under windstorm and earthquake perils.

c. Basic Vehicle Damage (BVD), because the fallen tree was not Liam's fault and BVD covers all single-vehicle road hazards.

d. Collision coverage, because the car struck an object already lying on the roadway rather than being hit by a falling object.

89′. Hannah wants to know how different own-damage claims affect her insurance and which perils are covered under each option. Which of the following comparisons among Collision, Comprehensive, and Specified Perils is correct?

a. Hitting a live deer on the highway and windshield damage are covered under Collision, whereas hitting a pothole is covered under Comprehensive.

b. Specified Perils covers hail, rising water, and theft, but it does not cover vandalism, malicious mischief, hitting an animal, or windshield damage.

c. Comprehensive covers laptops stolen from the back seat and theft of the car by a family member living in the household, without affecting the driver factor.

d. Most private passenger cars are rated for own-damage using the declared value method, while motorhomes and motorcycles use rate groups.

90. Owen leaves his BC-plated sedan at a local auto repair shop for a brake inspection and gives the mechanic explicit permission to road-test the car. While road-testing Owen's car, the mechanic negligently causes a collision. Later that month, Owen plans a road trip driving from BC through Washington and California into Mexico. Which statement is correct regarding Owen's Basic Autoplan policy?

a. The mechanic is excluded from Owen's Basic policy despite having permission (requiring a garage policy), and Owen's policy covers him in the U.S. but not once he enters Mexico.

b. The mechanic is covered under Owen's Basic policy because he held a valid licence and had the owner's permission, and coverage extends throughout North America including Mexico.

c. The mechanic is covered under Owen's Basic policy up to $200,000, but Owen's policy stops at the U.S. border unless he buys an out-of-province endorsement.

d. Neither the mechanic nor a ferry trip between BC and Washington State is covered under Basic Autoplan, because coverage applies only on paved roads inside BC.

90′. Which of the following individuals is covered as an 'insured' under a vehicle owner's Basic Autoplan policy when an accident occurs?

a. A hotel valet parking attendant who holds a valid driver's licence and has the vehicle owner's permission to park the car in the hotel lot.
b. The vehicle owner while driving the BC-plated car on a coastal highway in Baja California, Mexico.
c. A used-car dealership salesperson taking a customer's trade-in vehicle for an appraisal drive on a public road with the owner's consent.
d. A licensed neighbour who borrows the vehicle with the lessee's permission to board a ferry between Victoria, BC and Port Angeles, Washington.

91. Priya, a BC resident who does not own a car and does not hold a driver's licence, wakes up to find that an unidentified hit-and-run driver veered off a BC public road overnight and smashed her front wooden fence and her bicycle parked by the porch, causing $3,500 in damage. She has no other insurance covering this loss. What coverage, if any, is available to Priya?

a. She has no coverage because she does not own a vehicle or hold an Autoplan policy.
b. Underinsured Motorist Protection (UMP) pays the full $3,500 with zero deductible because the unidentified hit-and-run driver carries $0 in liability coverage.
c. The Statutory Uninsured/Unidentified Motorist Provision covers her non-vehicle property damage up to $200,000, subject to a $750 hit-and-run deductible.
d. Inverse Liability covers 100% of the $3,500 fence and bicycle damage because the unidentified hit-and-run driver cannot be sued in a BC court.

91′. Kevin's BC-plated car is damaged in an accident in which the other driver is 75% at fault and Kevin is 25% at fault. The accident triggers Kevin's Basic Inverse Liability coverage, and Kevin also carries optional Collision coverage. How do Inverse Liability and Collision work together to settle Kevin's vehicle damage and Collision deductible?

a. Inverse Liability applies only if the crash occurred outside BC, and it requires Kevin to pay 100% of his Collision deductible out of pocket.
b. Inverse Liability pays 75% of the damage (the other driver's fault share), Collision covers Kevin's 25% share, and Basic coverage pays 75% of his Collision deductible.
c. Inverse Liability pays 25% of the vehicle damage, while the Statutory Uninsured Motorist Provision pays the remaining 75% subject to a $750 statutory deductible.
d. Inverse Liability pays 100% of the repair cost up to $1 million as long as Kevin is not entitled to Enhanced Accident Benefits.

Chapter 14 · Optional Auto Coverages and Coverage Conditions Automobile

Items marked ′ are variants on the same point: do one when you miss the main question.

92. A car owner in Kelowna has a new basic auto policy with automatic Unlisted Driver Protection (UDP). Her adult brother, who lives in the same house, borrows her sedan for only the second time this year and causes an at-fault collision. How does UDP respond to this accident?

a. UDP applies without penalty because he drove the vehicle fewer than 12 days in the past 12 months.
b. UDP does not apply because household family members are excluded, exposing the owner to the Unlisted Driver Accident Premium.
c. UDP covers the first accident for a household member, provided the owner pays a fee at the next renewal.
d. UDP applies as long as the brother holds a valid driver's licence and has had no accidents since September 1, 2019.

92′. A bakery owner in Victoria lends her personal SUV to one of her full-time bakery employees for a single afternoon errand. The employee is not listed on the policy and causes an at-fault crash. Why will Unlisted Driver Protection (UDP) NOT protect the owner from a penalty?

a. Because UDP never applies when a personal vehicle is driven during weekday business hours.
b. Because UDP must be purchased for an extra premium before it takes effect on a new policy.
c. Because UDP only covers unlisted drivers who operate the vehicle for at least 12 days a year.
d. Because employees of the registered owner, lessee, or principal operator are excluded from UDP.

93. A commuter in Burnaby carries Comprehensive coverage on his hatchback but has not purchased Optional Loss of Use. Overnight, thieves steal all four wheels and tires from his parked car, leaving it on blocks for five days while replacements are ordered. How does Automatic Loss of Use respond to his transit expenses?

a. It pays no transit costs because Automatic Loss of Use covers only theft of the entire vehicle, not theft of parts.
b. It reimburses transit costs starting 72 hours after the theft of the wheels is reported to the police.
c. It reimburses transit costs immediately after the theft, subject to the Comprehensive deductible.
d. It pays for a rental car immediately, provided the cost of the stolen wheels exceeds the policy deductible.

93′. A driver in Surrey has Specified Perils coverage only, without any optional Loss of Use endorsement. Her entire vehicle is stolen from her driveway and she reports the theft to the police at once. When does her Automatic Loss of Use coverage begin to pay for alternative transportation?

a. Immediately after the theft occurs, as long as she rents a similar vehicle.

b. After 12 hours have passed from the time the theft was discovered.

c. At 72 hours after the theft of the entire vehicle is reported to the police, with no deductible.

d. Never, because Automatic Loss of Use is included only with Comprehensive, not Specified Perils.

94. A driver in Kamloops has Comprehensive coverage and the seven-item roadside package. While driving to a conference, her car is disabled by a collision. Two hours later, she takes a taxi to her conference hotel, and the next day her battery dies on another vehicle requiring a boost and a new battery. Which statement accurately describes how the seven-item package responds?

a. Destination Assistance pays for a rental car to finish her trip, and roadside emergency coverage pays for both the boost service call and the new battery.

b. Destination Assistance covers the taxi taken within 12 hours, and roadside emergency covers the boost (up to twice per term) but excludes the new battery.

c. Destination Assistance applies only if the car is stolen, and roadside emergency coverage is unlimited per policy term.

d. Both the taxi to the hotel and the emergency boost are already included in the standard four-item package.

94′. A resident of Washington State registers and insures a vehicle in British Columbia and purchases the four-item optional package. Which components of that four-item package are NOT available to this non-resident insured?

a. Rental-Vehicle Coverage and Vehicle Travel Protection for the non-resident.

b. Increased Loss of Use and Lock, Key, and Remote Entry Transmitter coverage.

c. Destination Assistance and Theft Deductible Waiver.

d. Income Top-Up and Off-Highway Third Party Liability.

95. An insured buys Limited-Depreciation Coverage on the exact day her passenger car enters its third model year. Four months later, the car is completely destroyed by an accidental garage fire. How will the insurer settle this total loss?

a. It will pay the full replacement price including inflation, because fire is a standard Comprehensive peril.

b. It will apply Limited-Depreciation Coverage as long as the repair estimate for the fire damage exceeds 50% of the vehicle's current market value.

c. Limited-Depreciation excludes this loss because when bought in the third model year, total losses from fire, theft, vandalism, or malicious mischief are not covered.

d. It will deny all coverage because vehicles in their third model year are only eligible for New Vehicle Replacement Plus.

95′. A contractor in Nanaimo buys a brand-new first-model-year light commercial pickup weighing 4,800 kg GVW and a new motorhome for family vacations. Both have Collision and Comprehensive coverage. He asks for New Vehicle Replacement Plus on both vehicles. Which statement is correct?

a. Neither vehicle qualifies because commercial trucks and recreational vehicles are completely excluded from new vehicle protection.

b. The 4,800 kg pickup qualifies (total loss at over 50% of market value), whereas the motorhome is ineligible for coverage.

c. Both vehicles qualify, provided the repair estimate threshold of 90% of market value is met.

d. Only the motorhome qualifies, because commercial vehicles over 3,000 kg cannot buy New Vehicle Replacement Plus.

96. An agro-tourism farm in Chilliwack uses a licensed multi-utility vehicle in its berry fields off the highway, and also operates a heavy commercial truck hauling dangerous goods on public highways. What is the maximum Extended Third Party Liability limit for the dangerous goods truck, and what deductible applies to Off-Highway Third Party Liability for the field vehicle?

a. Up to $5 million for the dangerous goods truck; a $750 deductible for Off-Highway Third Party Liability.

b. Up to $10 million for the dangerous goods truck; a $500 deductible for Off-Highway Third Party Liability.

c. Up to $2 million for the dangerous goods truck; no deductible for Off-Highway Third Party Liability.

d. Up to $10 million for the dangerous goods truck; no deductible applies to Off-Highway Third Party Liability.

96′. A high-earning software architect lives in Vancouver, does not own a car, holds no auto insurance policy, and has no employer disability plan. She wants to buy Income Top-Up in case she is injured in a motor vehicle crash. How is Income Top-Up issued and what is the maximum amount she can purchase?

a. She cannot buy it because an active basic auto policy is required to add Income Top-Up.
b. It is issued as a separate policy in up to 10 increments of $10,000, for a maximum increase of $100,000.
c. It is printed on a standard auto policy in five increments up to $200,000.
d. It is issued as a separate policy, available only up to $50,000 for residents who do not own a vehicle.

97. A resident of Prince George buys a new pickup truck at a dealership in Montana and wants temporary coverage to drive it back to British Columbia for registration. He obtains a temporary operation binder (APV38). Which statement about this coverage is true?

a. It covers 1 to 31 days for a vehicle bought in Canada or the continental US and driven to BC, though local operating permits may still be needed.
b. It automatically serves as a valid registration and operating permit in every US state and Canadian province for a period of up to 60 days.
c. It has the exact same legal meaning as a standard general insurance binder used in property insurance.
d. It also covers unlicensed farm tractors crossing a BC highway between two fields.

97′. An enthusiast owns a 32-year-old restored automobile with vintage plates and a Vintage Motor Vehicle Certificate. Which of the following trips is permitted and covered under this certificate?

a. Driving the car to the grocery store on a sunny Sunday afternoon for general pleasure.
b. Driving the car at midnight to a car club event even though its headlights do not meet current safety standards.
c. Driving the vehicle during daylight hours to participate in a community parade or wedding ceremony.
d. Parking the unregistered car on a public street all winter while it is not in use.

98. A courier driver in Abbotsford fails to renew his driver's licence, which expired two months ago. While making a delivery, he runs a stop sign, injuring a cyclist and damaging both his own van and a parked car. Under the rules tested on the exam for a breach of coverage conditions, what is the outcome?

a. The insurer refuses to pay either the injured third parties or the courier driver, leaving the victims to sue the driver personally.

b. The insurer pays for the courier driver's van after applying a doubled deductible, and covers the third parties in full.

c. The insurer covers both the third parties and the van because an expired licence is an administrative matter, not a breach of condition.

d. The insurer pays the third-party claims for the cyclist and parked car, denies the driver's van claim, and seeks recovery from the driver.

98′. After drinking heavily at a party, a motorist loses control on a curve and rolls her sports car into a ditch, damaging only her own vehicle. Attending police officers note that she is intoxicated to the point of being incapable of proper control of the vehicle, but they do not lay charges. How does the insurer handle her own-damage claim?

a. It must pay the claim because a breach of condition for impaired driving requires a criminal charge and conviction.

b. It denies the claim because she was incapable of proper control of the vehicle due to alcohol, even without charges.

c. It pays 50% of the vehicle's actual cash value since no third-party property was damaged.

d. It denies the claim only if the vehicle was also being used in a race or speed test at the time of the rollover.

Chapter 15 · Regulation and Ethics of Insurance Intermediaries Industry

Items marked ′ are variants on the same point: do one when you miss the main question.

99. A client in British Columbia wishes to file a formal complaint alleging misconduct by a licensed general insurance broker and seeks disciplinary action against the broker's licence. Which body has the delegated authority to handle licensing, complaints, and disciplinary matters for brokers in British Columbia?

a. The federal Superintendent of Financial Institutions in Ottawa

b. The Insurance Council of British Columbia under authority delegated by the province

c. The provincial brokers' professional association that administers licensing examinations

d. The Registered Insurance Brokers of Ontario under reciprocal provincial authority

99′. An insurance broker in British Columbia is dissatisfied with a disciplinary ruling issued by the Insurance Council of British Columbia. Under the regulatory framework tested on the exam, to whom may the Insurance Council's decision generally be appealed?

a. The board of directors of the provincial insurance brokers' association

b. The national committee of the Canadian Council of Insurance Regulators

c. The federal Minister of Finance responsible for financial institutions

d. The provincial Superintendent of Financial Institutions in British Columbia

100. Which of the following statements concerning the three-level step licensing system for general insurance brokers in British Columbia is INCORRECT?

a. A Level I licensee is generally restricted to working inside the brokerage office under the supervision of a Level II or Level III licensee at all times

b. A Level II licensee may solicit and transact general insurance both inside and outside the brokerage office while supervised by a Level III licensee

c. A Level II licensee automatically qualifies for a Level III licence to manage a brokerage after completing a set number of years of work experience

d. Only a Level III licensee who has satisfied the highest knowledge requirements is permitted to own or manage a general insurance brokerage office

100′. Maya holds a Level II general insurance licence in British Columbia and has several years of successful sales experience. She now wants to open and manage her own independent insurance brokerage. Under the step licensing rules, what is her status?

a. She cannot own or manage a brokerage until she demonstrates the additional knowledge required to obtain a Level III licence
b. She may manage the brokerage immediately because a Level II licence permits working outside the office without restriction
c. She qualifies to upgrade to a Level III licence automatically based on her years of continuous industry tenure
d. She may own and manage the brokerage provided she restricts its operations to personal lines property insurance

101. A broker licensed and operating in British Columbia is asked by a local client to insure a commercial warehouse the client just purchased in a neighbouring province. Which statement accurately describes the licensing and policy requirements for this transaction?

a. The broker must be licensed in every province where business is done, and the policy must be countersigned by a licensed broker in that province who shares the commission
b. Because the broker's British Columbia licence is continuous with an annual filing requirement, it automatically grants reciprocal authority across all western provinces
c. The broker may place the coverage without holding an out-of-province licence as long as the client's head office resides in British Columbia and pays the premium there
d. The broker only needs a sponsor from the provincial brokers' association to issue a temporary three-year interprovincial binder covering the out-of-province warehouse

101′. Regarding licence sponsorship and licence terms across Canadian provinces, which of the following statements is CORRECT?

a. A self-employed broker applicant must be sponsored by the provincial brokers' association, and licences in British Columbia expire every three years
b. Every Canadian province issues general insurance broker licences for a uniform one-year term without exception, subject to an annual renewal fee
c. A self-employed applicant is sponsored by the insurer they represent, and a licence in British Columbia is continuous with an annual filing requirement
d. A standard All Classes Other Than Life licence automatically entitles an Ontario broker to sell travel insurance without any additional licence

102. Under the licensing provisions of the Insurance Act tested on the exam, which of the following actions by a broker would NOT be grounds for licence revocation as illegal rebating?

a. Refunding a portion of the stated policy premium in cash to a bakery owner so that a renewal quote matches a lower competing quote

b. Offering a prospective client a complimentary one-year fitness club membership if the client transfers all commercial policies to the brokerage

c. Crediting a portion of the broker's commission directly back to the insured outside the policy to close a competitive fleet account

d. Giving clients promotional pens and coffee mugs of minimal value, or applying a premium discount authorized by the insurer in the policy

102′. Two insurers offer identical coverage for a hardware store, but one insurer's quote is higher than the other's. To persuade the store owner to accept the higher-priced policy, the broker offers to pay the premium difference out of pocket in cash. How is this action treated under the exam rules?

a. It is permissible price matching as long as the rebate is less than twenty-five percent of the stated policy premium

b. It constitutes illegal rebating in violation of the Insurance Act and is grounds for revoking the broker's licence

c. It is treated as an acceptable promotional giveaway because the cash refund merely equalizes the two competing quotes

d. It violates only the voluntary standards of the brokers' association and cannot affect the broker's provincial licence

103. Brokers hold client premiums in trust until those funds are remitted to the insurer. Under the grounds for licence revocation, misappropriation of trust funds includes three specific behaviours. Which of the following correctly lists all three?

a. Tied selling, charging unconscionable service fees, and failing to disclose insurer sales incentives

b. Poor financial control, willful misstatement of the trust position, and embezzlement of client trust funds

c. Placing risks with unlicensed insurers, rebating premiums, and failing to countersign out-of-province policies

d. Negotiating credit terms with an insurer, investing commission income, and refunding cancelled policy premiums

103′. A brokerage collects renewal premiums from several policyholders and withholds the money without justification well past a specific deadline, resulting in disciplinary proceedings to revoke its licence. Which document establishes the deadline for remitting collected premiums to the insurer?

a. The agency agreement signed between the brokerage and the insurer
b. The Canadian Council of Insurance Regulators report on conflicts
c. The personal pledge signed with the provincial brokers' association
d. The federal Privacy Act and complementary provincial privacy laws

104. A longtime client asks a general insurance broker to arrange specialized aviation hull coverage for a newly acquired charter aircraft. The broker has never handled aviation risks and lacks a solid understanding of the coverage and procedures involved. Under the Code of Conduct principle of competence, what should the broker do?

a. Accept the account and learn the aviation procedures while placing the policy so the client does not move to a competitor
b. Bind temporary coverage immediately and rely on the insurer's underwriter to explain any gaps after the policy is issued
c. Decline to act for the client on this risk and recommend that the client consult another broker who possesses the required competence
d. Share the client's confidential financial files with neighbouring brokerages without asking the client in order to gather informal quotes

104′. Which of the following scenarios complies with the principles of Integrity and Confidentiality under the brokers' Code of Conduct?

a. A broker convicted of a criminal offence unrelated to insurance argues that the conviction has no bearing on professional integrity
b. After a commercial client moves to another brokerage, the former broker shares the client's confidential loss history with a competing business
c. A broker takes advantage of a young first-time buyer's inexperience and lack of sophistication to sell unnecessary policy endorsements
d. A broker continues to safeguard a former client's confidential information even after the agency relationship with that client has ended

105. Under the Code of Conduct rules tested on the exam regarding advising clients, fee disclosure, and professional associations, which statement is CORRECT?

a. Any fee charged above the insurer's premium on an individual policy must be explained clearly in writing in advance, stating both the amount and the reason for the fee
b. A broker may require a client to purchase a homeowner policy as a condition of issuing an automobile policy whenever the two policies are bundled
c. A broker who complies with government legislation but fails to meet the higher ethical standards of a provincial brokers' association will have their licence revoked by the association
d. There is no need to inform a client about a policy warranty that is a condition of coverage unless a claim is later denied for breaching that warranty

105′. An insurer offers a broker a volume bonus for placing policies with that company. Meanwhile, another broker who belongs to a provincial brokers' association violates the association's higher ethical code without breaking the Insurance Act. Under the exam rules, how are these two situations governed?

a. The bonus never requires disclosure under any circumstances, and violating the association's higher ethical code results in automatic provincial licence revocation
b. The bonus must be disclosed if it is a factor in recommending that insurer to the client's detriment, and breaking the association's code may end membership
c. The broker is permitted to practice tied selling to earn the volume bonus, provided an extra service fee without any stated reason is charged to the policyholder
d. The broker has no obligation to report another licensee's clear violation of insurance laws to the regulator even when serious harm to clients is likely to occur

Answers and option–by–option reasons

Chapter 1 answers and reasons

1 answer b

a. ✗ Serving as a basis of credit is indeed one of the five social functions of insurance, but it is not the recognized 'main' purpose, falling into the 'true statement but not the primary function' trap.

b. ✓ Spread of risk, which means sharing the losses of the few who suffer losses among the many who contribute premiums, is the only one among the five functions recognized as the 'main' purpose.

c. ✗ Loss prevention is a genuine social function of insurance, but the question stem asks for the main purpose; incidental social functions must not be mistaken for the primary function.

d. ✗ Providing employment and investment capital is one of the five functions, but it is not the primary or main purpose for which insurance exists, falling into the 'true statement but not the primary function' trap.

1′ answer d

a. ✗ Eliminating worry and encouraging enterprise is one of the five social functions, but it is not the sole primary function, falling into the 'true statement but not the primary function' trap.

b. ✗ This describes the basis of credit function; although the statement itself is correct, it is not the primary function.

c. ✗ This describes the employment and investment capital function, not the primary function requested in the question stem.

d. ✓ Pooling premiums into a common fund so that the many share the losses of the few represents the spread of risk, which is the sole primary function of insurance.

2 answer a

a. ✓ Under the fifth key point of the legal definition of insurance, settlement may be made in money or other thing of value, and the right to choose between repairing, replacing, or paying cash rests with the insurer.

b. ✗ The right to choose between repair, replacement, or cash rests with the insurer, not the insured; assuming the insured can demand cash before repairs begin is a common trap.

c. ✗ Distorting 'usually paid in money' into 'the law strictly requires cash to guarantee exact indemnity' is an absolutist settlement trap; the legal definition explicitly allows settlement in other things of value.

d. ✗ The right to select the settlement method legally belongs to the insurer, and is not determined by an independent brokerage when the warehouse policy is bound.

2′ answer c

a. ✗ Shifting financial responsibility to an insurer in exchange for a premium is the first key point of the legal definition, making this statement correct.

b. ✗ Covering only future accidental losses while excluding deliberate or already–occurred property losses is the fourth key point of the legal definition, making this statement correct.

c. ✓ The fifth point of the legal definition explicitly states that payment may be in money or other thing of value (such as repairing or replacing damaged property); stating that payment must always be in cash is a false absolutist trap, making this the correct NOT choice to select.

d. ✗ Restricting payment to indemnity so that the insured neither profits nor falls short after a loss is the third key point of the legal definition, making this statement correct.

3 answer c

a. ✗ Calling the insured greenhouse building a risk is everyday colloquial usage; in the legal definition, the building is the object of insurance, and shattered skylight glass is the resulting damage rather than the cause, falling into the 'colloquial usage confused with statutory meaning' trap.

b. ✗ This completely reverses the statutory definitions of risk (the chance of financial loss to the greenhouse owner) and peril (the hailstorm as the cause of loss).

c. ✓ In the legal definition, risk refers to the chance of financial loss, and peril refers to the cause of loss (such as fire, wind, or hail), matching both terms completely accurately.

d. ✗ The greenhouse is the object of insurance, and the premium paid by the owner is the consideration for transferring risk; neither is a peril or risk.

3′ answer a

a. ✓ In the legal definition, risk refers to the chance of financial loss, while the insured bakery building is the object of insurance; colloquial speech often calls the object a risk, but the exam requires strict adherence to statutory meanings.

b. ✗ The cause of loss such as fire is a peril, not a risk, and the bakery building itself is not a peril.

c. ✗ Under the legal definition in the Insurance Act, risk is the chance of financial loss; mistaking the insured physical bakery property for the statutory definition of risk is a colloquial confusion trap.

d. ✗ Charged policy premium and indemnity have entirely different meanings from risk and the bakery as the object of insurance.

4 answer d

a. ✗ Refunding only the $75,000 purchase price paid ten years ago leaves the homeowner under-compensated, falling into the 'mistaking purchase price for indemnity' trap.

b. ✗ Paying only the net difference between the current value and the original purchase price falls far short of the actual loss, violating the principle of indemnity that restores the actual loss without under-compensating.

c. ✗ Combining the original purchase price and the pre-fire value would allow the insured to profit from a loss, violating the indemnity principle, which prohibits profiting from a loss.

d. ✓ 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 ($140,000) rather than the original purchase price.

4′ answer a

a. ✓ Indemnity is measured immediately before the loss so the insured recovers the actual loss without profiting or falling short; deliberate losses are excluded because they waste economic and social resources.

b. ✗ Losses that have already occurred are strictly excluded (even if an applicant offers a higher premium); otherwise individuals would only purchase coverage after suffering damage, collapsing the insurance pool.

c. ✗ Indemnity is calculated based on the value of the damaged home immediately before the loss occurred, not its historical purchase price.

d. ✗ Restricting payment to indemnity prevents profiting from loss or under-compensation; it has nothing to do with private stock companies retaining premiums or refusing cash claim settlements.

5 answer a

a. ✓ A mutual company is owned by its policyholders with the primary objective of providing insurance at the lowest possible cost, returning surplus through dividends or subsequent rate adjustments, whereas a stock company is owned by shareholders seeking investment returns.

b. ✗ An insurer owned by shareholders seeking investment returns is a stock company, while one operated by a provincial government is a government insurer, confusing the ownership structures of the three insurer types.

c. ✗ The vast majority of general insurance in Canada is underwritten by stock companies rather than mutuals, and surplus in a mutual company belongs to policyholders, not external shareholders.

d. ✗ In BC, SK, MB, and QC, compulsory automobile insurance is provided to residents by government insurers; mutual companies are private insurers.

5′ answer b

a. ✗ Although governments in BC, SK, MB, and QC all operate compulsory auto insurance, only BC, SK, and MB distribute it through independent brokerages; QC is not included in this arrangement.

b. ✓ Governments in BC, SK, MB, and QC provide compulsory automobile insurance to residents, and Saskatchewan's government insurer also competes with private insurers in general property lines outside auto.

c. ✗ Insurers owned by private corporate shareholders that distribute annual profit dividends to external stock market investors are private stock companies, not government insurers.

d. ✗ Among the three main lines of property and casualty (P&C) insurance, automobile ranks first and accounts for over half of all P&C premiums, property ranks second, and liability ranks third.

6 answer c

a. ✗ This falls into the 'equating single–company representation with employee status' trap: direct writers do sell for only one insurer, but they are salaried employees whose business belongs to the company; Marcus is a small business proprietor who owns his book of business, so he is not a direct writer.

b. ✗ Independent brokerages normally represent multiple insurers, but owning a book of business is not exclusive to multi–insurer brokers; Marcus represents only one company (plus the Facility Association).

c. ✓ The hallmarks of the agency system are precisely that the intermediary represents only one insurance company (plus the Facility Association), operates as a small business proprietor, is paid commissions and bonuses, and personally owns the client book of business.

d. ✗ Both independent brokers and agents can place substandard automobile policies with the Facility Association; this has nothing to do with Lloyd's of London syndicates.

6′ answer a

a. ✓ Being a salaried employee who represents a single insurer with client records owned by the insurer defines direct writing; independent brokers are not company employees, typically represent multiple insurers, and have records owned by the brokerage, making this the incorrect statement that does NOT apply.

b. ✗ Independent brokerages normally represent multiple private insurers simultaneously and can also represent the Facility Association for automobile coverage, making this statement accurate.

c. ✗ Insurers pay the brokerage a commission based on premium volume, which the brokerage uses to cover operating expenses such as salaries and rent, making this statement accurate.

d. ✗ Independent brokerage is the predominant distribution channel (handling over 80% of P&C business) and distributes government compulsory auto insurance in BC, SK, and MB, making this statement accurate.

7 answer b

a. ✗ This falls into the 'treating Lloyd's as an insurance company' trap: Lloyd's of London is not a corporate stock insurer and does not issue insurance policies directly from a head office; it is a marketplace of underwriting members.
b. ✓ In the Lloyd's market, individual underwriters or syndicates subscribe to portions of risk on a slip in their own names, and the slip must be 100% subscribed before it is sent to the Policy Signing Office to be officially stamped.
c. ✗ A slip must be 100% subscribed before it can be sent to the Policy Signing Office; there is no rule allowing an underwriting agent to bind at 50% subscription with the British government guaranteeing the remainder.
d. ✗ Lloyd's policies are stamped by the Lloyd's Policy Signing Office, not by the Canadian Facility Association.

7′ answer c

a. ✗ Lloyd's of London is neither a Canadian mutual company owned by policyholders insuring satellites and oil rigs nor an insurance company at all; it is an underwriters' marketplace.
b. ✗ Lloyd's is not a provincial government insurer and does not compete with private companies for standard residential property and auto business; it primarily underwrites unusual or complex risks that standard insurers decline.
c. ✓ Lloyd's itself is not an insurance company, but a marketplace of underwriters where members assume risks in their own names, and complex risks are underwritten by syndicates of members managed by underwriting agents.
d. ✗ Lloyd's is not a direct writing company where salaried employees issue policies directly; business must be brought by brokers who write risk details on slips for underwriters to subscribe proportions.

Chapter 2 answers and reasons

8 answer a

a. ✓ Correct. A completed application constitutes an offer to the insurer, and the insurer must make an unconditional acceptance for agreement to exist; issuing a policy with a $500 deductible instead of the requested $100 deductible means the policy was not issued in accordance with the offer, so the parties reached no meeting of the minds.
b. ✗ Incorrect (concept confusion trap). Consideration is the applicant's payment of premium or promise to pay premium in the future; the issue here is that the parties failed to agree on the deductible term, not that consideration was lacking.
c. ✗ Incorrect (misattributed element trap). Concealment generally refers to an applicant misrepresenting or failing to disclose material facts; the insurer altering the deductible when issuing the policy constitutes a failure to accept the offer, meaning agreement is missing rather than utmost good faith.
d. ✗ Incorrect (invented requirement trap). Agreement itself does not even need to be in writing; the contract fails because the issued policy terms differed from the application's offer resulting in a lack of agreement, not due to the absence of an endorsement or genuine intention.

8′ answer c

a. ✗ Incorrect (treating conditional acceptance as agreement trap). Although the owner used the word 'accept', introducing a condition to lower the deductible from $500 to $100 is not an unconditional acceptance, so no contract was formed.

b. ✗ Incorrect (confusing voidable status with lack of contract formation trap). A contract is voidable when it exists in form but possesses a defect in one of its elements; here, the parties were still bargaining and never reached agreement.

c. ✓ Correct. Agreement requires an offer by one party and an unconditional acceptance by the other; a conditional response (demanding that the deductible be lowered from $500 to $100) constitutes ongoing negotiation rather than agreement, meaning no contract was formed.

d. ✗ Incorrect (doctrine misapplication trap). Utmost good faith requires both parties to act honestly, but it cannot substitute for agreement by automatically binding the insurer to new terms without its response.

9 answer b

a. ✗ Incorrect (treating a trade name directly as a contracting party trap). A business identified solely by a trade name has no legal standing and cannot contract on its own; it must include the owner's legal name along with t/a, d/b/a, or o/a.

b. ✓ Correct. A corporation designated with Ltd. or Inc. is an independent legal entity separate from its shareholders, possessing full legal capacity to contract just like a natural person, without needing shareholders' names on the policy.

c. ✗ Incorrect (minors' contractual effect trap). Under the exam standard, the common law age of majority is 21 (reduced to 19 or lower in most provinces); minors can validly contract for necessities of life, while contracts for non–necessities remain voidable within a reasonable time rather than automatically void. (Note: This question tests the exam standard; in current BC practice, the Age of Majority Act sets the age at 19, and the Infants Act makes minors' contracts unenforceable against the minor within one year of reaching majority rather than relying on a reasonable time.)

d. ✗ Incorrect (treating a trade name directly as a contracting party trap). Although a partnership has the capacity to contract, writing only a trade name on the policy without the partners' legal names and connecting abbreviations (t/a, d/b/a, o/a) leaves it without legal standing to contract.

9′ answer a

a. ✓ Correct. Under the exam standard, the common law age of majority is 21 (lowered to 19 or less in most provinces); a minor can enter into a binding contract for necessities of life (food, clothing, lodging), while other contracts remain voidable at the minor's option within a reasonable time. (Note: Answer according to the exam standard; under BC's current Infants Act, minors' contracts are unenforceable against the minor unless affirmed within one year after turning 19, with no exception for necessities of life.)

b. ✗ Incorrect (confusing void and voidable trap). Under the exam standard, contracts entered into by minors for non–necessities are voidable, meaning the protected minor may choose whether to repudiate within a reasonable time, rather than being void ab initio.

c. ✗ Incorrect (exceeding authority trap). Just as a broker lacks authority to assess a client's mental state, a broker cannot unilaterally declare a minor's non–necessities contract non–voidable; disputes must be decided by a court.

d. ✗ Incorrect (concept conflation trap). Adding d/b/a merely links a trade name to an owner's legal name; it does not confer full legal capacity upon a minor to enter into binding contracts for non–necessities.

10 answer c

a. ✗ Incorrect (definition confusion trap). Avoidance involves completely abandoning an activity to eliminate the chance of loss (least practical), while choosing a higher deductible means absorbing more minor losses oneself, which is not risk transfer to an insurer.

b. ✗ Incorrect (inverted order and concept error trap). Installing fire suppression is risk control that reduces loss frequency and severity, not risk transfer; choosing a higher deductible is risk retention, not risk control.

c. ✓ Correct. Installing fire alarms or sprinkler systems to reduce loss frequency and severity constitutes controlling of risk; using a deductible to bear a portion of losses oneself constitutes retention of risk, with higher deductibles meaning greater retention.

d. ✗ Incorrect (mistaking deductible for transfer or avoidance trap). A sprinkler system represents risk control rather than retention, and a high deductible represents retention rather than the least practical method of avoidance.

10′ answer b

a. ✗ Incorrect (inverted ranking trap). Because avoidance requires abandoning normal daily activities and business operations, it is the least practical method; risk transfer (purchasing insurance) is the most common and practical method.

b. ✓ Correct. Pure risk involves only the possibility of loss and no possibility of gain, making it the only insurable category of risk; speculative risk involves the chance of either loss or gain and is uninsurable.

c. ✗ Incorrect (insuring speculative risk trap). Speculative risk (such as starting a business, buying stocks, or gambling) carries the possibility of profit, and public policy does not permit profiting from failure; it remains uninsurable regardless of deductible size.

d. ✗ Incorrect (exaggerating loss control trap). Controlling risk can only reduce loss frequency and severity and is not a complete solution, as natural perils such as wind, hail, and lightning cannot be prevented.

11 answer d

a. ✗ Incorrect (confusing stolen goods with property of others trap). Expecting to inherit the aunt's antique clock indeed lacks insurable interest, but insuring stolen goods violates public policy and therefore breaches legality of object.

b. ✗ Incorrect (confusing stolen goods with property of others trap). The antique clock itself is lawful property; the cousin cannot recover because he lacks insurable interest in an expected inheritance, whereas only stolen goods violate public policy and legality of object.

c. ✗ Incorrect (arbitrary element selection trap). Both parties paid premiums (providing consideration), and there was no duress or mistake; the elements truly lacking are legality of object for stolen property and insurable interest for an expected inheritance.

d. ✓ Correct. The key rule is that stolen goods violate legality of object, while property of others or an expected inheritance lacks insurable interest. Even if the expected inheritance is destroyed, the cousin's current financial position remains unchanged, so no insurable interest exists.

11′ answer a

a. ✓ Correct. A bailee (such as a dry cleaner, auto repair shop, or watch repair shop) is legally responsible for customers' property left in its care or servicing, suffering financial loss if the property is damaged, and therefore holds a valid insurable interest.

b. ✗ Incorrect (expected inheritance trap). There is no insurable interest in an expected inheritance because even if the piano were destroyed now, the grandchild's current financial position would remain unchanged.

c. ✗ Incorrect (property of others trap). Damage to a neighbour's garage causes the homeowner no legal or financial loss, so insuring a neighbour's property lacks insurable interest.

d. ✗ Incorrect (confusing stolen goods with property of others trap). Insuring stolen property violates public policy and breaches legality of object, rendering the contract unenforceable.

12 answer b

a. ✗ Incorrect (general element confusion trap). Genuine intention is one of the five essential elements required of all valid contracts, not unique to insurance contracts.

b. ✓ Correct. The three elements unique to insurance contracts are insurable interest, utmost good faith, and indemnity (ensuring claim payments restore actual loss without profit); indemnity is specifically highlighted as unique to insurance contracts.

c. ✗ Incorrect (general element confusion trap). Consideration is one of the five general elements required of all contracts, not restricted to insurance contracts.

d. ✗ Incorrect (general element confusion trap). Legality of object is one of the five general elements common to all contracts.

12′ answer d

a. ✗ Incorrect (confusing void and voidable trap). Being 'treated in law as though it never existed' defines void, not voidable.

b. ✗ Incorrect (inverted rights trap). The option to affirm or void rests with the aggrieved innocent party; the wrongdoer has no right to demand that the contract remain binding.

c. ✗ Incorrect (spurious claim trap). A voidable contract does not automatically transform into a binder.

d. ✓ Correct. Voidable means the contract is unenforceable by the wrongdoer, while the aggrieved innocent party holds the option either to enforce the contract or to repudiate it and treat it as void.

13 answer a

a. ✓ Correct. Oral binders are equally legally binding as written ones (although in practice an oral binder should be confirmed in writing immediately to prevent evidentiary disputes); 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 pays the claim (via an errors and omissions E&O claim) rather than the insurer.

b. ✗ Incorrect (oral invalidity trap). Oral binders and written cover notes are equally binding in law; requiring immediate written confirmation is intended to prevent subsequent disputes over insurer identity, limits, or coverage types, not because oral binders are invalid.

c. ✗ Incorrect (omitted source of authority trap). Binding authority originates from two sources: the agency agreement and the rate manual; insurers frequently specify limits in the rate manual so they can adjust capacity without renegotiating agreements with each brokerage.

d. ✗ Incorrect (misunderstanding binder nature trap). A binder is itself an insurance contract that serves as the contractual basis until the formal policy is issued, subject to the same terms and conditions as any insurance contract, rather than a mere quotation.

13′ answer b

a. ✗ Incorrect (misattributed source trap). A retail broker's binding authority stems from the insurer's agency agreement and rate manual, not from provincial statutes or the cover note itself.

b. ✓ Correct. A broker's binding authority originates from two sources: the agency agreement and the rate manual; placing limits in the rate manual allows the insurer to adjust binding limits when markets change or major losses occur without having to renegotiate agency agreements individually.

c. ✗ Incorrect (inverted cause and effect trap). Errors and omissions (E&O) insurance pays for liability after a broker binds coverage exceeding authority, rather than serving as the document granting binding authority.

d. ✗ Incorrect (conflated concepts trap). The application is the applicant's offer, and a floater is a policy document covering mobile property; neither is a source of binding authority, and oral binders must be confirmed in writing immediately.

14 answer c

a. ✗ Incorrect (confusing binder with policy alteration trap). A binder is a temporary contract that binds coverage before the formal policy is issued, not a document used to modify terms of an existing policy midterm.

b. ✗ Incorrect (document purpose confusion trap). A floater is used to cover mobile property that frequently moves from location to location (such as contractor tools, photography gear, and jewellery), not to amend tree limits or delete exclusions.

c. ✓ Correct. All policy alterations require mutual consent and must be in writing; within the three policy change documents framework, the standard document used to acknowledge changes in policy terms (such as increasing tree limits, deleting exclusions, or adding glass breakage) is an endorsement.

d. ✗ Incorrect (document purpose confusion trap). A separate policy is an independent policy purchased while leaving the original contract completely unaltered (such as purchasing professional liability alongside an office building policy); because this scenario modifies existing terms, an endorsement must be used.

14′ answer d

a. ✗ Incorrect (document purpose confusion trap). Mobile photography equipment requires a floater, and professional liability excluded under an office policy requires a separate policy, not a binder.

b. ✗ Incorrect (inverted order and document purpose trap). Mobile photography equipment uses a floater, while adding an entirely independent line of professional liability insurance requires a separate policy.

c. ✗ Incorrect (document purpose confusion trap). A binder is used solely for temporary coverage prior to formal policy issuance, and cannot provide ongoing mobile equipment coverage or establish an independent coverage line.

d. ✓ Correct. A floater is used to cover property that frequently moves from location to location (such as contractor tools, photography gear, and jewellery); a separate policy is used to purchase an independent line of coverage while leaving the original contract unaltered (such as buying professional liability in addition to an office building policy, without needing to use the same insurer).

Chapter 3 answers and reasons

15 answer b

a. ✗ Incorrect. This is a provincial responsibility. The provincial Superintendent of Insurance enforces the Insurance Act, which includes supervising and approving the terms and conditions of insurance contracts sold by private insurers in the province.

b. ✓ Correct (not a provincial duty). Provincial regulatory responsibilities include supervising policy terms, licensing insurers to transact business, and monitoring the financial stability and solvency of provincially chartered companies, but the province does not set or standardize premium rate levels for private insurance policies. (Note: The exam standard designates the provincial regulator as the Superintendent of Insurance; the current regulator in BC is BCFSA.)

c. ✗ Incorrect. This is a provincial responsibility. An insurer must obtain a provincial licence in each province where it transacts business, even if it already holds a federal licence.

d. ✗ Incorrect. This is a provincial responsibility. While federally registered insurers are monitored financially by the federal regulator (OSFI), the financial stability and solvency of provincially chartered insurers are monitored by the provincial Superintendent of Insurance.

15′ answer c

a. ✗ Incorrect (unlicensed transacting trap). An insurer must obtain a provincial licence in every province where it conducts business, even if it already holds a federal licence.

b. ✗ Incorrect (government rate–setting trap). The provincial Superintendent of Insurance supervises policy forms and issues licences, but does not establish premium rates for private property insurance.

c. ✓ Correct. Federally registered insurers have their financial stability and solvency monitored continuously by the federal regulator (OSFI), but must still apply for and obtain a provincial licence from the Superintendent of Insurance in each province where they operate.

d. ✗ Incorrect (confusing solvency monitoring with compensation fund mechanism). The Property and Casualty Insurance Compensation Corporation (PACICC) advances payments for valid claims when an insurer becomes insolvent and recovers funds through post–loss assessments on participating insurers based on direct written premiums; insurers do not deposit entire premium revenues with PACICC in advance.

16 answer a

a. ✓ Correct. As fiduciaries, brokers do not fully earn commissions until the policy period has expired; they may only use earned commissions to pay ongoing operating expenses, while unearned commissions must be held in trust to remain available for refund if the policy is cancelled early.

b. ✗ Incorrect (replacing unearned with all trap). As policy time elapses, the portion of commission that has become earned may be used by the brokerage for payroll and operating overhead; only the unearned portion must be held in trust.

c. ✗ Incorrect (generalizing provincial exception trap). Most provinces do not mandate that brokerages maintain a separate trust account for premiums (customarily allowing 30 to 60 days to remit premiums to the insurer); depositing premiums into a separate trust account within three banking days is a specific statutory requirement in Ontario.

d. ✗ Incorrect (breaching fiduciary principles). Although industry custom permits brokers to deduct commission upfront and remit the net balance to the insurer, commissions and premiums are fully earned only as policy time elapses through expiry.

16′ answer b

a. ✗ Incorrect (prematurely earned premium trap). Premiums are only fully earned when the entire 12–month policy period expires; 60 days merely represents the common contractual deadline for broker premium remittance (30 to 60 days), which has no bearing on earned premium calculations.

b. ✓ Correct. After 3 months of a 12–month policy, the insurer has earned only 3/12 (one–quarter) of the premium, which is available for expenses and claim payments; the remaining unearned premium must be held in trust to refund the insured if the policy is terminated early.

c. ✗ Incorrect (substituting unearned with all trap). The portion of the premium corresponding to the expired term is earned and may be spent on operating overhead and claims; only the unearned portion must be held in trust.

d. ✗ Incorrect (fiduciary exemption trap). Both insurers and brokers act as fiduciaries and have a legal obligation to hold unearned funds in trust for the benefit of policyholders.

17 answer b

a. ✗ Incorrect. The time, address, and days are all wrong. Statutory inception is 12:01 a.m. rather than p.m., at the named insured's address rather than the insurer's head office, and the Removal Clause provides coverage for 7 days (or unexpired term) rather than 15 days.

b. ✓ Correct. Under the exam standard, the statutory policy inception time is 12:01 a.m. Standard Time at the address of the named insured; property moved to an unnamed location to escape an insured peril is protected under the Removal Clause for 7 days or the unexpired term, whichever is shorter. (Note: Current BC statutory wording allows the policy to specify inception time, but exam questions must be answered using 12:01 a.m. Standard Time at the named insured's address.)

c. ✗ Incorrect (swapping inception address and days trap). Statutory policy inception is measured at the address of the named insured rather than the location of the risk; furthermore, the Removal Clause provides coverage for 7 days or the unexpired term (whichever is shorter), not 30 days.

d. ✗ Incorrect. The statutory inception time is not 12:00 midnight or at the broker's office, and the Removal Clause is strictly limited to 7 days or the unexpired term, whichever is shorter.

17′ answer a

a. ✓ Correct. All three statutory conditions of the Removal Clause are satisfied: 1) the property was necessarily removed to prevent loss from an insured peril (wildfire); 2) coverage extends for 7 days or the unexpired term, whichever is shorter (4 days remaining is shorter than 7 days, so coverage lasts 4 days); 3) the available insurance limit must be reduced by the loss already sustained at the original location ($120,000 minus $95,000 leaves $25,000 available).

b. ✗ Incorrect. This overlooks the rule of the shorter period and the limit reduction. The policy expires in 4 days, so coverage cannot last 7 days; because $95,000 of damage was sustained at the original location, only $25,000 in coverage remains for property at the unnamed location.

c. ✗ Incorrect. This ignores the statutory removal exception. Although policies generally cover property only at named locations, the law mandates that coverage extends to an unnamed location when property is necessarily removed to prevent loss or further damage from an insured peril.

d. ✗ Incorrect (confusing removal motives). The Removal Clause is triggered only when property is necessarily moved to escape an insured peril; moving property to clear room for renovations or due to lack of home storage does not qualify for removal coverage.

18 answer c

a. ✗ Incorrect. A waiver of any policy term or condition must be in writing and signed by a person authorized for that purpose by the insurer (typically an executive officer); a broker has no authority to waive policy conditions.

b. ✗ Incorrect. This contradicts the statutory delivery rule. Once a policy is delivered to the insured, it is binding on the insurer even if the premium has not yet been paid, and covered losses must be indemnified.

c. ✓ Correct. Under the exam standard, any policy containing a limitation clause (such as a deductible or coinsurance) must have a red–ink warning printed on its first page, or the limitation clause is not binding on the insured. (Note: Current BC statutory wording specifies conspicuous bold type, but exam questions must be answered using red ink.)

d. ✗ Incorrect. Subrogation rights arise only after the insurer has paid the insured's claim, and any legal action against the negligent third party must be brought in the name of the insured, not in the insurer's corporate name.

18′ answer a

a. ✓ Correct. Once a policy is delivered, it binds the insurer even if the premium has not been paid, obligating the insurer to pay the fire loss; upon paying the claim, the insurer acquires subrogation rights and may step into the insured's shoes to sue the negligent contractor in the name of Marcus (the insured).

b. ✗ Incorrect. This violates the statutory delivery rule. Because the policy was delivered to the insured, it is legally binding on the insurer regardless of whether the premium has been collected.

c. ✗ Incorrect. This reverses the order of claims settlement and subrogation. Under subrogation, the insurer pays the insured's claim first, and only then pursues recovery against the responsible third party.

d. ✗ Incorrect. A subrogation lawsuit must be commenced in the name of the insured, not in the insurer's own corporate name, and recovery is limited to the actual indemnified loss rather than double damages.

19 answer d

a. ✗ Incorrect. This falls under the statutory exclusion of application of heat with no actual combustion. When an article is damaged in a heating process without generating a hostile fire, the damage to the heated article itself is not covered.

b. ✗ Incorrect. This represents damage caused by a friendly fire. A fire that remains contained within its intended receptacle (such as a hearth) is a friendly fire; fire policies cover only hostile fires, so property accidentally dropped into a friendly fire is not covered.

c. ✗ Incorrect. This falls under the statutory exclusion for lightning damage to electrical devices or appliances. Although lightning is one of the three mandatory perils, direct damage by lightning to electrical devices or equipment itself is excluded.

d. ✓ Correct (ensuing fire is covered). Damage to the television itself from an electrical surge falls under the electrical current exclusion, but the exclusion applies solely to the device itself; the resulting fire that ignited the curtains and sofa is a hostile fire that the insurer must cover.

19′ answer b

a. ✗ Incorrect (inserting windstorm and overextending explosion). The three mandatory perils are fire, lightning, and explosion of natural, coal, or manufactured gas; windstorm is not a statutory peril, nor is every type of explosion included.

b. ✓ Correct. Fire policies mandatorily cover fire, lightning, and explosion of natural, coal, or manufactured gas; while lightning damage to electrical devices is a statutory exclusion, any fire that ensues from such damage is covered.

c. ✗ Incorrect. Fire policies do not cover friendly fires that remain within their intended containers (such as a hearth); coverage applies exclusively to hostile fires.

d. ✗ Incorrect (extending exclusion to ensuing fire trap). The application of heat exclusion applies only to the garment being ironed; the fire that spreads to ignite the ironing board and kitchen wall constitutes an ensuing hostile fire that is indemnified.

20 answer c

a. ✗ Incorrect (treating temporary event as material change trap). A material change must be within the control and knowledge of the insured, increase the hazard, and be both substantial and continuing; a one–day temporary event does not constitute a material change.

b. ✗ Incorrect. This contradicts Statutory Condition 5. The insured may terminate the contract at any time upon request, and is entitled to a refund of unearned premium calculated on a short–rate basis (subject to any minimum retained premium).

c. ✓ Correct. Under Statutory Condition 5 (Termination), the insurer may terminate by giving 15 days' notice by registered mail (under the exam standard, starting the day after arrival at the post office of destination) or 5 days' written notice delivered personally, accompanied by a pro rata refund of unearned premium. (Note: In current BC practice notice starts upon delivery, but exam questions must be answered using the day after arrival at the post office.)

d. ✗ Incorrect. An insurer is not required to maintain coverage at unchanged rates. Upon being notified of a material change, the insurer may cancel and refund unearned premium, or notify the insured in writing of an additional premium payable within 15 days.

20′ answer b

a. ✗ Incorrect. The statutory termination rules specify 15 days by registered mail or 5 days personally delivered, not 30 days personal notice; furthermore, insurer cancellation requires a pro rata refund rather than a short–rate penalty.

b. ✓ Correct. Converting a personal garage into a full–time commercial woodworking shop represents a material change that is both substantial and continuing. Upon being notified, the insurer may either cancel the policy with a pro rata unearned premium refund, or provide written notice of an additional premium that the insured must pay within 15 days.

c. ✗ Incorrect. A material change substantially increases the risk of loss, and the insurer is not obligated to maintain coverage at original residential rates; it may cancel or require an additional premium within 15 days.

d. ✗ Incorrect (violating non–alteration of statutory conditions). Statutory Conditions are binding on both parties by law, and any alteration, omission, or addition is void against the insured, even if agreed to in writing by the policyholder.

21 answer a

a. ✓ Correct. Under Statutory Condition 7 (Fraud), fraud involves intentional deception for gain; once the insurer proves that the insured acted fraudulently in making a claim, it may invalidate the entire claim rather than simply deducting the fictitious laptop.

b. ✗ Incorrect. Under Statutory Condition 10 (Entry, Control, Abandonment), the insured cannot abandon damaged property to the insurer without the insurer's consent.

c. ✗ Incorrect (confusing days and triggers). Under Statutory Condition 13 (Replacement), if an insurer elects to repair or rebuild, it must give written notice within 30 days after receipt of the proof of loss, and begin work within 45 days of receiving the proof of loss; 60 days is the payment deadline under Condition 12.

d. ✗ Incorrect. Under the exam standard (Statutory Condition 14, Action), any legal action against the insurer must be commenced within 1 year after the loss occurs (2 years in Manitoba and Saskatchewan). (Note: Current BC legislation relocated limitation of actions to s.23 with a 2–year period from discovery, but exam answers must use 1 year after the loss occurs.)

21′ answer d

a. ✗ Incorrect. All days and starting points are confused. Claim payment is due within 60 days after completion of proof of loss; notice of intent to repair is within 30 days of receipt of proof of loss (work commenced within 45 days); and lawsuits must be commenced within 1 year after the loss occurs (exam standard).

b. ✗ Incorrect. This transposes the 45–day work commencement and 60–day payment deadlines, while distorting notice of repair and inventing a 6–month lawsuit limitation.

c. ✗ Incorrect. Notice of intention to repair is required within 30 days (not 15 days) of receipt of proof of loss, and the 1–year lawsuit limitation runs from the date the loss occurs rather than delivery of proof of loss.

d. ✓ Correct. This accurately aligns the four statutory numbers and triggering events in Conditions 12, 13, and 14: 1) payment is due within 60 days after completion of proof of loss; 2) replacement requires written notice of intention within 30 days and work commenced within 45 days of receiving proof of loss; 3) action against the insurer must be commenced within 1 year after the loss occurs (2 years in MB and SK). (Note: BC current practice sets a 2–year limitation from discovery across 14 statutory conditions, but exam questions must be answered using 15 conditions and 1 year after the loss.)

Chapter 4 answers and reasons

22 answer a

a. ✓ Correct. In errors and omissions (E&O) claims, the leading cause accounting for nearly 50% is inadequate coverage. One of its four specific causes is failing to inform the client about key policy exclusions, leaving the client without necessary coverage when a loss occurs.

b. ✗ Incorrect. Breaching the terms of the brokerage agreement is one of the other five sources of E&O claims rather than the primary cause that accounts for nearly half of all claims; this falls into the trap of confusing primary and secondary causes of E&O.

c. ✗ Incorrect. Clerical errors in cancellation or renewal procedures belong to the other five sources of E&O claims rather than the primary cause of inadequate coverage; this falls into the trap of confusing primary and secondary causes of E&O.

d. ✗ Incorrect. Misrepresentation or misdescription of the insured risk is one of the other five sources of E&O claims and not the leading cause accounting for nearly 50% of claims; this falls into the trap of confusing primary and secondary causes of E&O.

22′ answer c

a. ✗ Incorrect. Processing delays during the policy term and endorsement errors belong to the other sources of E&O claims rather than the primary source accounting for nearly 50%; this falls into the trap of confusing primary and secondary causes of E&O.

b. ✗ Incorrect. Violating conditions set out in the brokerage agreement signed with the insurer is one of the other five E&O sources rather than the leading cause; this falls into the trap of confusing primary and secondary causes of E&O.

c. ✓ Correct. Inadequate coverage accounts for nearly 50% of errors and omissions (E&O) claims and is the single largest source, comprising failure to advise on exclusions, failing to place coverage or placing it too late, providing incorrect coverage, and giving incorrect advice regarding coverage availability.

d. ✗ Incorrect. Making administrative errors during policy cancellation or renewal procedures is merely one of the other E&O sources, not the primary cause accounting for nearly half; this falls into the trap of confusing primary and secondary causes of E&O.

23 answer b

a. ✗ Incorrect. Under the exam standard, the brokerage's errors and omissions (E&O) policy covers all staff members, so individuals do not need to purchase separate coverage to protect against client claims. Note the difference in focus from current BC law (Council Rule 7(11) requires every licensee to hold or be covered by E&O insurance with minimum limits of $1,000,000 per occurrence and $2,000,000 aggregate); exam questions must be answered according to the textbook syllabus, avoiding the trap of confusing exam standard with current BC practice.

b. ✓ Correct. The law requires brokers to exercise reasonable skill, care and diligence; if a client suffers a loss because the broker failed to meet this standard, an E&O claim may be brought against both the broker and the brokerage. Note on E&O insurance: the exam standard states that some provinces legally require brokerages to purchase E&O coverage which protects all staff so individuals need not buy their own, whereas current BC rules require each licensee to hold or be covered by E&O insurance.

c. ✗ Incorrect. The broker is merely an intermediary and not a legal party to the insurance contract (the parties to the contract are strictly the insured and the insurer); an E&O claim is never filed directly under the client's property insurance policy, but is brought against the broker and brokerage for professional negligence.

d. ✗ Incorrect. The broker's primary duty to the client is to ensure the client receives proper advice and appropriate coverage; the legal standard is reasonable skill, care and diligence, not simply finding the lowest price; this falls into the one-sided duty trap.

23′ answer d

a. ✗ Incorrect. When a broker fails to exercise reasonable skill, care and diligence and causes a financial loss to the client, the client can bring an errors and omissions (E&O) claim against both the individual broker and the brokerage.

b. ✗ Incorrect. The broker owes primary duty to the client, and professional negligence is covered by the brokerage's E&O policy, not paid for by the insurance company underwriting the underlying property policy.

c. ✗ Incorrect. The standard of reasonable skill, care and diligence applies to all brokers providing advice and arranging coverage for clients, not solely to brokerage owners or directors.

d. ✓ Correct. Under the exam standard, the E&O policy purchased by the brokerage covers all staff members working in the firm, so individuals do not need to buy separate coverage. Note: current BC Council Rules require every licensee to hold or be covered by E&O insurance, meaning licensees must confirm they are covered when changing firms, but exam questions must be answered according to the textbook syllabus.

24 answer c

a. ✗ Incorrect. Physical hazards relate to the premises (building construction, occupancy, housekeeping), whereas examining financial standing and past claims integrity evaluates the person rather than the structure's ability to withstand perils; this falls into the trap of confusing physical and moral hazards.

b. ✗ Incorrect. Occupancy is a component of physical hazard referring to how the property is actually used (such as a welding shop versus a bookstore), which has nothing to do with inflated claims or the applicant's financial condition; this falls into the trap of confusing physical and moral hazards.

c. ✓ Correct. Moral hazard involves subjective characteristics of the applicant as an individual; its three key indicators are financial condition, character (including suspicious or inflated past claims), and indifference to loss.

d. ✗ Incorrect. Housekeeping assesses whether the premises are kept clean and orderly over time, which is an observable physical hazard rather than an investigation into the applicant's character and finances; this falls into the trap of confusing physical and moral hazards.

24′ answer a

a. ✓ Correct. Under the FOI exam standard, careless indifference to loss because of having insurance ('the policy covers it anyway') stems from the applicant's character and is classified under moral hazard.
b. ✗ Incorrect. A peril is the event that causes a loss (such as fire or theft), whereas a hazard is a condition that may cause a peril to occur; a condition cannot be equated with the event itself.
c. ✗ Incorrect. Building construction type is a physical hazard, whereas the question stem focuses on the owner's attitude of indifference ('the policy covers it anyway'); this falls into the trap of confusing physical and moral hazards.
d. ✗ Incorrect. Physical hazards are observable and relatively easy to detect, whereas moral hazards (encompassing finances, character, and indifference to loss) are often very difficult to detect without careful investigation; this falls into the trap of confusing physical and moral hazards.

25 answer b

a. ✗ Incorrect. Underwriters are insurance company employees who do not sell insurance directly to consumers and therefore do not need to be licensed; furthermore, calculating personal property premiums using rate manuals is done by brokers, falling into the trap of confusing primary underwriting functions with routine tasks.
b. ✓ Correct. An underwriter is an unlicensed employee of the insurance company (as they do not sell insurance directly to consumers); their primary function is risk selection, which means choosing from submitted applications those risks that are most likely to be profitable for the insurer.
c. ✗ Incorrect. An underwriter is an insurance company employee, not a regulatory official; preparing renewal certificates and cancellation notices belongs to policyholder service rather than the primary underwriting function; this falls into the trap of confusing primary underwriting functions with routine tasks.
d. ✗ Incorrect. Underwriters are employed by insurers rather than brokerages, and inspecting damaged property to adjust policyholder loss claims is the duty of claims adjusters.

25′ answer a

a. ✓ Correct. The underwriter's four information sources are the application, the broker, loss experience data, and inspection reports; loss experience data specifically examines the ratio of losses paid against premiums collected for that class of risk over the past 3 to 5 years.
b. ✗ Incorrect. Loss experience data examines the insurer's loss history across that entire class of business over the past 3 to 5 years, not merely the single preceding term of an individual applicant.
c. ✗ Incorrect. The course material explicitly states that loss experience data covers the past 3 to 5 years, not all years since the insurer's inception, and it is not maintained by independent adjusters.
d. ✗ Incorrect. Thirty calendar days is the grace period before automatic licence suspension for lacking E&O insurance under current BC rules, which is completely unrelated to the 3–to–5–year underwriting loss experience review; this falls into the trap of confusing exam standard with current BC practice.

26 answer d

a. ✗ Incorrect. Rate manuals are used for personal property lines (homeowners, tenants, condominium unit owners), and under the exam standard there are five underwriting decisions rather than four.
b. ✗ Incorrect. Rating sheets attached to applications are used for specialized small business policies, whereas more complex commercial risks are priced entirely by underwriters; underwriters have five decisions.
c. ✗ Incorrect. Independent adjusters handle claims adjusting following a loss and are not involved in underwriting rating; this confuses professional roles and responsibilities.
d. ✓ Correct. Rating depends on risk complexity: complex commercial risks (such as a furniture store package quote) are priced entirely by underwriters; underwriters have five possible decisions: reject, accept as submitted, accept with a rate increase, accept with a higher deductible, or accept subject to conditions.

26′ answer b

a. ✗ Incorrect. When a risk is elevated, the underwriter increases the rate or deductible rather than discounting premiums or waiving deductibles, and underwriting risk is never transferred to an independent adjuster.

b. ✓ Correct. The five underwriting decisions are: reject the risk, accept as submitted, accept with an increased rate, accept with an increased deductible, or accept subject to certain conditions.

c. ✗ Incorrect. Preparing renewal certificates and cancellation notices belongs to policyholder service rather than decisions on an insurance application; this falls into the trap of confusing primary underwriting functions with routine tasks.

d. ✗ Incorrect. The broker is not a party to the contract and does not assume coinsurance liabilities; none of these three actions belongs to the five underwriting decisions.

27 answer a

a. ✓ Correct. The claims process involves two steps: the insured reports first to the brokerage (no matter how small the loss appears, the client considers it important, and if it may be covered the brokerage forwards it to the insurer), and the brokerage reports to the insurer; company adjusters handle the majority of claims, while independent adjusters are hired when internal staff is insufficient or specialized expertise is needed, with insurers sometimes permitting brokerages to assign them.

b. ✗ Incorrect. Clients take even the smallest loss seriously, so the brokerage must never dismiss or suppress a report; furthermore, insurers engage independent adjusters when internal staff is overloaded.

c. ✗ Incorrect. Underwriters are insurer employees, and field representatives provide sales support, verify applications, and conduct physical inspections; adjusting loss claims is strictly the responsibility of claims adjusters.

d. ✗ Incorrect. The first step in claims is reporting to the brokerage; company adjusters handle the majority of claims, and independent adjusters are assigned by the insurer (or by an authorized brokerage) when staff is lacking or special expertise is needed.

27′ answer c

a. ✗ Incorrect. Company adjusters are internal claims staff of the insurance company who handle the vast majority of routine daily claims.

b. ✗ Incorrect. Independent adjusters are used to adjust policy property and casualty losses after an occurrence, not exclusively when an E&O claim arises.

c. ✓ Correct. Company adjusters handle most claims; when internal insurer staff is insufficient or when the adjustment requires specialized expertise, independent adjusters from independent adjusting firms are retained, and insurers sometimes authorize brokerages to assign them.

d. ✗ Incorrect. The term first line underwriter refers to the broker's initial role at the application stage to evaluate risks and disclose facts honestly to the insurer; brokers do not decline claims or adjust losses.

28 answer c

a. ✗ Incorrect. Although a broker's primary duty is owed to the client, the broker also owes a duty to the insurer to tell the truth and not conceal material facts; claiming no obligation to the insurer is completely backwards and falls into the one-sided duty trap.

b. ✗ Incorrect. Agents and brokers differ regarding to whom primary duty is owed (insurer vs client) and number of insurers represented (one vs multiple), but in either role, material facts must be disclosed honestly to the insurer; this falls into the one-sided duty trap.

c. ✓ Correct. Brokers are regarded as first line underwriters because they are the first to evaluate whether a risk meets underwriting standards; the primary duty owed to the insurer is to tell the truth regarding submitted risks and not withhold material information; fear of losing a client to a competitor is never an acceptable justification for concealment.

d. ✗ Incorrect. The broker must disclose all material facts at the time the application is submitted and cannot defer underwriting disclosure to a claims adjuster after a loss occurs.

28′ answer b

a. ✗ Incorrect. Both agents and brokers are merely intermediaries; neither is a direct party to the insurance contract (parties to the contract are strictly the insured and the insurer), nor are they unlicensed employees hired by policyholders.

b. ✓ Correct. The two distinctions are: (1) To whom primary duty is owed: an agent to the insurer, a broker to the client; (2) Number of companies represented: an agent usually represents one company, while a broker may represent one but typically compares across multiple insurers on behalf of the client. Note: current BC Financial Institutions Act defines only insurance agent, insurance salesperson, and insurance adjuster, with broker being an industry term rather than a licence class, but exam questions must be answered according to these two distinctions.

c. ✗ Incorrect. The broker owes duties to both parties: reasonable skill, care and diligence to the client, and telling the truth without withholding material information to the insurer as a first line underwriter; duty is not owed solely to the client, falling into the one-sided duty trap.

d. ✗ Incorrect. Rating complex commercial policies is the role of underwriters, and adjusting losses after a claim is submitted is the role of claims adjusters; neither distinguishes agents from brokers.

Chapter 5 answers and reasons

29 answer b

a. ✗ Incorrect. Only calculates actual cash value (ACV = replacement cost $9,000 minus depreciation $3,000 = $6,000), falling into the trap of omitting the least-of-three rule; it is neither capped by the $5,000 policy limit nor reduced by the $500 deductible.

b. ✓ Correct. The Indemnity Agreement applies the least-of-three-amounts rule: first, actual cash value (ACV = replacement cost $9,000 minus depreciation $3,000 = $6,000); second, the insured's interest (100% sole ownership, or $6,000); third, the limit on the declarations page ($5,000). The least of these three is $5,000, and deducting the $500 deductible yields a final claim payout of $4,500.

c. ✗ Incorrect. Although correctly identifying the $5,000 policy limit under the least-of-three rule, it forgets to deduct the $500 deductible retained by the insured on each loss.

d. ✗ Incorrect. Directly uses the replacement cost of $9,000 as the payout amount, failing to deduct depreciation to determine ACV while also ignoring both the policy limit and the deductible.

29′ answer d

a. ✗ Incorrect. Erroneously includes future investment value and sentimental value in replacement cost and loss settlement; insurance adheres to the principle of complete indemnity and does not pay for missed future earnings or sentimental value.

b. ✗ Incorrect. Reverses the burden of proof; the burden of proving replacement cost through supplier quotes rests with the insured, and depreciation is deducted from replacement cost rather than original purchase price.

c. ✗ Incorrect. Ignores the least-of-three-amounts rule (least of ACV, insured's interest, and policy limit); claims are not settled for the full declarations page limit regardless of the insured's actual financial interest.

d. ✓ Correct. In calculating actual cash value (ACV = replacement cost minus depreciation), the burden of proving replacement cost rests with the insured (by providing supplier or contractor quotes), and the adjuster evaluates depreciation across four factors: condition, obsolescence, resale value, and normal life expectancy.

30 answer c

a. ✗ Incorrect. Falls into the trap of applying replacement cost when missing one of the three conditions. Failing to actually repair or rebuild breaches the third condition, restricting settlement to actual cash value (ACV = $10,000 minus $4,000 = $6,000).

b. ✗ Incorrect. Breaches the requirement to repair or rebuild on the same or an adjacent site; to avoid the moral hazard of using insurance proceeds to relocate, rebuilding in another city restricts settlement to ACV.

c. ✓ Correct. Settling a building on a replacement cost basis requires satisfying three conditions simultaneously: 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. A delay in starting construction caused by municipal drawing approval is not treated as a breach of due diligence and dispatch, so full $10,000 replacement cost coverage applies upon completion.

d. ✗ Incorrect. Overlooks that the IBC 4005 replacement cost endorsement explicitly does not apply to commercial stock.

30′ answer a

a. ✓ Correct. The IBC 4005 endorsement explicitly does not apply to commercial stock; furthermore, replacement cost coverage on equipment requires that items were usable for their original purpose at the time of loss, so old equipment already replaced and retained in storage is ineligible for replacement cost.

b. ✗ Incorrect. Repairing walls on the same site with due diligence and dispatch using new materials of like kind and quality fully satisfies all three building replacement cost conditions.

c. ✗ Incorrect. Under IBC 4005 rules, when an identical new item cannot be purchased, the closest available new item performing the same function qualifies as like kind and quality.

d. ✗ Incorrect. Municipal permit delays do not void replacement cost coverage, and completing actual reconstruction on the same site satisfies the three replacement cost conditions.

31 answer d

a. ✗ Incorrect. Directly selects the actual cash value (ACV) of $400,000, failing to apply the least–of–three rule that caps recovery at the $350,000 policy limit and omitting the priority payout owed to the mortgagee.

b. ✗ Incorrect. Only performs the first step of determining the $350,000 total policy payable under the least–of–three rule, falling into the trap of selecting the wrong payee by failing to deduct the $200,000 that must be paid to the mortgagee first.

c. ✗ Incorrect. Mistakes the $200,000 priority payout received by the trust company as mortgagee for the amount entitled to the insured business owner personally.

d. ✓ Correct. Calculated in two steps: first, apply the least–of–three rule comparing ACV ($400,000) and policy limit ($350,000) to establish total payable policy proceeds of $350,000; second, under the Standard Mortgage Clause, the mortgagee (trust company) is paid its $200,000 outstanding mortgage balance first, leaving the remaining $150,000 ($350,000 minus $200,000) for Priya personally.

31′ answer b

a. ✗ Incorrect. Mistakenly assumes only banks and trust companies qualify as mortgagees; any entity or individual holding an insurable interest in the insured property (banks, trust companies, credit unions, private lenders) can qualify as a mortgagee.

b. ✓ Correct. The Standard Mortgage Clause guarantees that the mortgagee's protection remains valid despite any misrepresentation or breach of conditions by the insured; therefore, after denying Sophia's claim, the insurer must still pay the private lender its $60,000 insurable interest and acquires subrogation rights against Sophia up to the amount paid (subordinated to the lender's full recovery).

c. ✗ Incorrect. Violates the second protection of the Standard Mortgage Clause: the insurer cannot terminate the policy or amend it to the mortgagee's prejudice without providing the mortgagee with the same statutory notice.

d. ✗ Incorrect. Confuses who bears the duty of delivery; ensuring that the mortgagee receives a certified copy of the policy is the insured's own responsibility.

32 answer a

a. ✓ Correct. A warranty certifies that certain facts are and will continue to be true, requiring strict compliance; under the official exam standard, breaching a warranty allows the insurer to deny a claim regardless of whether the breach had any connection to the cause of loss. (Note: Answer according to this exam standard; current BC Insurance Act s.32 provides that terms relating to risk are not binding on the insured if a court finds them unjust or unreasonable.)

b. ✗ Incorrect. Falls into the trap of treating warranties as conditions regarding causation. Under the exam standard, breaching a condition does not permit claim denial if it did not cause the loss, whereas breaching a warranty permits claim denial regardless of causation.

c. ✗ Incorrect. Confuses the three classes of insurance where statutory conditions apply with warranties found in commercial property policies.

d. ✗ Incorrect. Invents a penalty of deducting a double deductible; breaching a warranty removes coverage under the policy entirely.

32′ answer c

a. ✗ Incorrect. Reverses the origins of statutory conditions (enacted by statute) and policy conditions (drafted by the insurer).

b. ✗ Incorrect. Completely reverses the causation rules between conditions and warranties, falling into the trap of treating warranties as conditions regarding causation.

c. ✓ Correct. Under the official exam standard, statutory conditions appear in property policies covering fire, accident and sickness, and automobile policies, and conditions prescribe duties the insured must perform or refrain from doing. (Note: Answer according to this exam standard; current BC Insurance Act s.8 and s.29 apply Part 2 statutory conditions to all contracts except life, accident and sickness, etc.)

d. ✗ Incorrect. Warranties require strict compliance and the legal consequences of breach cannot be excused by paying a higher deductible.

33 answer c

a. ✗ Incorrect. Money (cash), securities, and books of account are all among the nine standard excluded properties.

b. ✗ Incorrect. Automobiles, watercraft, and aircraft are all among the nine standard excluded properties and must be insured under specialized policies.

c. ✓ Correct. Among the nine standard excluded properties, the threshold for vacant property is vacancy for more than 30 consecutive days, not 15 days; because the stem asks which item is NOT a standard exclusion, a dwelling vacant for 15 days is the correct answer.

d. ✗ Incorrect. Written evidences of debt or title belong to the nine standard excluded properties.

33′ answer b

a. ✗ Incorrect. Both sewer back-up and flood are among the nine common excluded perils, even though flood and earthquake endorsements are readily available.

b. ✓ Correct. Lightning is a statutorily mandated peril under fire policies and is not a common excluded peril (with only electrical surge damage to electrical devices statutorily excluded); therefore, a direct lightning strike shattering and setting a roof gable ablaze is covered.

c. ✗ Incorrect. Increased costs of repair or reconstruction required to comply with building by-laws belong to the nine common excluded perils.

d. ✗ Incorrect. Smoke from agricultural smudging or industrial operations, as well as rust, corrosion, and wear and tear, are all common excluded perils.

34 answer b

a. ✗ Incorrect. Falls into the trap of mistaking firefighting damage for indirect loss. Water damage caused by firefighter hoses is a direct consequence of the fire, constituting a covered direct loss.

b. ✓ Correct. Property insurance policies cover direct loss only; business profits lost during closure for repairs are a consequence of the direct loss, constituting an indirect loss that is not covered unless a Business Interruption or Extra Expense endorsement is added.

c. ✗ Incorrect. Treats damage from firefighters chopping open the roof for ventilation as an indirect loss; damage caused during firefighting efforts constitutes a direct loss from fire.

d. ✗ Incorrect. Assumes that property untouched by open flame cannot suffer direct loss; heat blistering and smoke staining in an adjoining room constitute direct loss from fire.

34′ answer a

a. ✓ Correct. The direct loss from fire is limited to the damaged power cable; commercial inventory spoilage resulting from a three-day power outage is a consequence of the direct loss, constituting an indirect loss not covered under an unendorsed commercial property policy.

b. ✗ Incorrect. Falls into the trap of mistaking power interruption spoilage for direct loss, treating refrigerated commercial stock spoilage from a power failure as a direct fire loss.

c. ✗ Incorrect. Confuses personal and commercial insurance: residential forms often provide specific freezer food spoilage extensions, whereas standard commercial property forms do not.

d. ✗ Incorrect. Erroneously includes both freezer inventory spoilage and lost business revenue, which are both indirect losses, under an unendorsed commercial property policy.

35 answer a

a. ✓ Correct. Under the pair and set rule, losing one item of a pair or set does not constitute a total loss of the pair; the remaining item retains value, which must be deducted from the claim settlement in accordance with the principle of complete indemnity.

b. ✗ Incorrect. Settles in full based on the insured's subjective belief that a single item lacks utility, violating the pair and set rule requiring deduction of the value retained by the remaining item.

c. ✗ Incorrect. Automatically treats a pair and set claim as fraud; this question tests the deduction mechanism of the pair and set rule rather than claim denial.

d. ✗ Incorrect. Pays an excessive amount and factors in sentimental value, violating the principle of complete indemnity.

35′ answer d

a. ✗ Incorrect. Demands full replacement of the entire unit, violating the parts rule that covers only the damaged part.
b. ✗ Incorrect. Omits installation expenses; the parts rule explicitly covers the value of the damaged part plus the cost of installation.
c. ✗ Incorrect. Confuses the 2.5% roof depreciation example with the parts rule; the parts rule does not pay a fixed percentage of the policy limit.
d. ✓ Correct. Under the parts rule, when property consisting of several parts suffers partial damage, payment is limited to the value of the damaged part plus the cost of installation, rather than replacing the entire machine or the entire $3,000 floor covering.

Chapter 6 answers and reasons

36 answer b

a. ✗ Incorrect. An unnamed insured must be living in the same household with the named insured at the time of loss. A spouse who separated and moved out five months earlier is not living in the household at the time of loss, so unless specifically added as a named insured, her personal property is not covered.
b. ✓ Correct. Enrolled students are an exception to the cohabitation requirement; even if over 21 and temporarily living away from home, as long as they are enrolled in full–time education and dependent on the named insured for support, they qualify as an insured and their personal property is covered.
c. ✗ Incorrect. A common–law partner who is not the natural or adoptive parent of a common child must have lived together with the named insured continuously for at least 3 years to qualify as a spouse; living together for only 2 years without a common child does not meet the definition.
d. ✗ Incorrect. Persons under 21 years of age in the care of an insured explicitly exclude boarders and roomers; a tenant or boarder is not an insured under the homeowner's policy and must purchase their own tenants package policy.

36′ answer a

a. ✓ Correct. A common–law partner who is the natural or adoptive parent of the same child with the named insured needs to have lived together continuously for only 1 year to qualify as a spouse; living together for 18 months satisfies this requirement.
b. ✗ Incorrect. Any other person in care who is not a relative (such as a foster child) must be under 21 years of age and in the care of the named insured to qualify as an insured; an individual who has reached 22 years of age and is not a full–time dependent student falls outside the definition.
c. ✗ Incorrect. Relatives of either the named insured or spouse must share the insured's home when the loss happens to qualify as insureds; a brother living on the other side of town does not qualify as an insured under the policy.
d. ✗ Incorrect. Boarders and roomers are explicitly excluded from the definition of the insured, regardless of their age or student status.

37 answer c

a. ✗ Incorrect. Lock replacement coverage applies only when keys are stolen and the theft is reported to police; lost keys are not covered, which is a classic exam trap confusing lost with stolen.

b. ✗ Incorrect. Freezer food coverage excludes spoilage caused by accidental or deliberate disconnection of the power supply within the building; a pet knocking out the plug is an excluded cause, resulting in no coverage.

c. ✓ Correct. Freezer food coverage pays for food spoilage caused by accidental interruption of electrical power or mechanical breakdown of the freezer up to $2,000; because it is one of the five extensions exempt from the deductible, the full $1,400 loss is paid.

d. ✗ Incorrect. Change of temperature coverage requires that the loss result from physical damage to the building or heating equipment caused by an insured peril; an internal mechanical breakdown of the furnace is not physical damage caused by an insured peril, so the claim is denied.

37′ answer b

a. ✗ Incorrect. Lock replacement is one of five extensions of coverage subject to no deductible (along with fire department charges, freezer food, arson reward, and credit or debit card/counterfeit money), so it is not eliminated by the $500 policy deductible.

b. ✓ Correct. Stolen keys reported to police meet all conditions of the lock replacement extension, which provides up to $500 with no deductible applied, whether locks are replaced or rekeyed at the insurer's option, paying the full $420.

c. ✗ Incorrect. The lock replacement extension explicitly provides that locks may be either replaced or rekeyed, and the choice between replacing and rekeying is at the insurer's option.

d. ✗ Incorrect. The trigger for lock replacement is theft of keys and reporting to police in order to prevent unauthorized entry; there is no requirement that the burglar must have already entered the dwelling with the stolen keys.

38 answer a

a. ✓ Correct. Neither standard replacement cost nor guaranteed replacement cost covers increased costs incurred to comply with building ordinances, zoning, demolition, repair, or construction bylaws; the insurer pays only the $60,000 required to repair the building to its pre–loss state.

b. ✗ Incorrect. Guaranteed replacement cost waives the policy limit to rebuild the structure as it was if qualifying conditions are met, but still explicitly excludes increased costs due to municipal bylaw upgrades.

c. ✗ Incorrect. Providing an additional 5% above the policy limit applies to the debris removal extension, not bylaw upgrades; standard homeowners policies do not pay for bylaw upgrades.

d. ✗ Incorrect. Ninety days is the notification period required when beginning work on building additions or improvements under guaranteed replacement cost; the dwelling repairs are paid at the $60,000 replacement cost, but the $12,000 for bylaw upgrades is completely excluded.

38′ answer c

a. ✗ Incorrect. Electing an initial actual cash value (ACV) settlement does not permanently forfeit replacement cost rights; the policy allows the insured to claim the difference upon actual repair or replacement within a specified time window.

b. ✗ Incorrect. Thirty days is the timeline for moving personal property, property removed to protect from loss, and total vacancy suspension; the window to claim the replacement cost difference after initial ACV settlement is 180 days.

c. ✓ Correct. Under the Basis of Claim Payment, the insured may initially settle on an actual cash value (ACV) basis and then claim the difference between ACV and replacement cost, provided repair or replacement is completed within 180 days of the date of loss.

d. ✗ Incorrect. Personal property must be actually repaired or replaced to receive replacement cost settlement; if the property is not repaired or replaced, settlement remains strictly on an ACV basis.

39 answer d

a. ✗ Incorrect. Falls into the trap of mistaking a theft–only special limit for an all–loss limit: the $2,000 special limit on furs applies only to theft losses; damage caused by fire is not capped by this special limit and is payable in full at $6,000.

b. ✗ Incorrect. Violates the rule that the deductible is subtracted before applying the special limit, and applies the deductible incorrectly: subtracting the $500 deductible from the $7,000 tractor leaves $6,500, which is capped at the $5,000 special limit, yielding $5,000; combined with $6,000 for the fur coat, the total payable is $11,000.

c. ✗ Incorrect. Garden–type tractors fall under the first category of special limits that apply to all insured perils, capping coverage at $5,000 regardless of whether the loss is caused by fire or another insured peril.

d. ✓ Correct. The $2,000 special limit on furs applies only to theft, so the fire loss is covered in full for $6,000; garden–type tractors are subject to a $5,000 special limit for all insured perils, and the deductible applies before the special limit ($7,000 minus $500 = $6,500, capped at $5,000), making the total payout $11,000.

39′ answer b

a. ✗ Incorrect. Although books, tools, and instruments pertaining to a business have a $2,000 special limit, they are covered only while on the premises; property taken off premises to an out–of–town hotel is completely excluded.

b. ✓ Correct. Business property is covered only while on the premises, so the stolen laptop taken to an out–of–town hotel is denied ($0); home computer hardware is not subject to a special limit and is covered for its full value, while computer software is capped at $2,500 for all insured losses.

c. ✗ Incorrect. The $2,500 special limit restricts only computer software; home computer hardware has no special dollar limit, so the $4,000 home desktop computer is covered in full.

d. ✗ Incorrect. Business property does not enjoy the worldwide temporary removal coverage granted to ordinary personal property and is covered only on the premises; furthermore, software is subject to the $2,500 special limit.

40 answer a

a. ✓ Correct. During the heating season when away for more than 4 consecutive days, freezing water damage in heated portions is covered if a competent person entered the house daily to ensure heating was maintained or if the water supply was turned off and pipes drained; prior notice to the insurer is not required.

b. ✗ Incorrect. The freezing exclusion requires that all residents have been away for more than 4 consecutive days; if pipes freeze and burst on the third day, the 4–day absence threshold has not been reached, so the loss is covered.

c. ✗ Incorrect. The policy strictly requires a competent person to enter the dwelling daily to ensure heat is maintained; checking every other day breaches the requirement, though written notice to the insurer is not required.

d. ✗ Incorrect. Freezing water damage in unheated portions of the dwelling is strictly excluded under all circumstances, even if daily inspections were conducted in the main heated dwelling.

40′ answer d

a. ✗ Incorrect. The definition of vacant explicitly states 'regardless of the presence of furnishings'; once all occupants have moved out with no intention of returning and no new occupant has taken possession, the dwelling is vacant.

b. ✗ Incorrect. Confuses the two vacancy clocks: vacancy for more than 30 consecutive days terminates all coverage, but vandalism, water damage, and glass breakage cease immediately upon the dwelling becoming vacant.

c. ✗ Incorrect. Glass breakage, like vandalism or malicious acts and water damage, is immediately excluded while the dwelling is under construction or vacant.

d. ✓ Correct. A dwelling becomes vacant when all occupants move out with no intent to return (regardless of furnishings); coverage for vandalism or malicious acts, water damage, and glass breakage ceases immediately upon becoming vacant (without waiting 30 days), so the May 10 loss is completely excluded.

41 answer c

a. ✗ Incorrect. Falls into the Form 1153 scope trap: Form 1153 Broad Form upgrades only the dwelling building and detached private structures (Coverages A and B) to all risks, while personal property (Coverage C) remains named perils; it is Form 1155 Comprehensive Form that upgrades both to all risks.

b. ✗ Incorrect. The exclusion of impact by a vehicle owned or operated by an insured applies to named perils; under Form 1153, the building is upgraded to all risks and is no longer subject to that named peril restriction, so the garage door is covered.

c. ✓ Correct. Form 1153 Broad Form covers the dwelling building (Coverage A) on an all risks basis, so damage to the garage door from the insured's own vehicle is covered; however, personal property (Coverage C) remains on a named perils basis, where vehicle impact explicitly excludes vehicles owned or operated by an insured or employee, so the bicycle is not covered.

d. ✗ Incorrect. The $500 special limit on bicycles applies only to theft, and under Form 1153 personal property damaged by an insured's own vehicle is not an insured peril; conversely, the garage door is covered under all risks.

41′ answer a

a. ✓ Correct. Sofas and curtains are personal property (Coverage C). Under named perils, smoke explicitly excludes smoke from a fireplace; because personal property under both Form 1151 and Form 1153 is insured on a named perils basis, only Form 1155 Comprehensive Form upgrades personal property to all risks, covering fireplace smoke.

b. ✗ Incorrect. Form 1153 Broad Form upgrades only buildings (Coverages A and B) to all risks; indoor furniture and curtains are personal property (Coverage C), which remains on a named perils basis under Form 1153 where fireplace smoke is excluded.

c. ✗ Incorrect. Although smoke is one of the thirteen named perils, the wording requires sudden, unusual, and faulty operation of a heating or cooking unit, and explicitly excludes smoke from a fireplace.

d. ✗ Incorrect. All risks under Form 1155 Comprehensive Form does not exclude smoke from a fireplace, which is one of the primary coverage advantages of Form 1155.

42 answer c

a. ✗ Incorrect. Inadequate insurance limits on the condominium corporation's master policy is one of five standard triggers for Loss Assessment, and fire is a peril insured under the unit owner's policy.

b. ✗ Incorrect. An assessment resulting from a coinsurance penalty shortfall on the corporation's master policy where the windstorm loss is covered under the unit owner's policy is a valid trigger for Loss Assessment coverage.

c. ✓ Correct. One of the five valid triggers for Loss Assessment is a large deductible on the condominium corporation's policy, not a deductible on the unit owner's personal policy. (Note: Answered according to exam standard; in current BC Strata Property Act practice, the entity is a strata corporation and deductibles may be charged back to an owner responsible for the loss.)

d. ✗ Incorrect. An assessment resulting from claim denial due to a breach of policy conditions by the corporation is covered under Loss Assessment, provided the explosion itself is a peril insured under the unit owner's policy.

42′ answer b

a. ✗ Incorrect. The Condominium Corporation's master policy covers only the developer's original standard installations and does not cover the value added by subsequent owner improvements.

b. ✓ Correct. The original builder–grade carpet is covered by the Condominium Corporation's policy, while the value added by the hardwood flooring upgrade is covered under Unit Improvements and Betterments in the unit owner's policy on a replacement cost basis (basic limit $1,000, commonly increased to 25% of Coverage C). (Note: Answered according to exam standard; BC Strata Property Act ss. 149/161 requires strata corporations to insure original fixtures, leaving subsequent improvements to owners.)

c. ✗ Incorrect. The Condominium Unit Owners Form does not provide standard Coverage A for the building and does not cover the purchase price of the unit; building structure is insured under the corporation's master policy.

d. ✗ Incorrect. Loss Assessment covers assessments against all unit owners for collective property shortfalls, not private renovations inside an owner's unit; furthermore, unit improvements are settled on a replacement cost basis rather than ACV.

Chapter 7 answers and reasons

43 answer b

a. ✗ Incorrect because it ignores insurable interest. Only permanent fixtures installed by the building owner belong to building; a tenant is not the building owner and holds no insurable interest in the building structure, falling into the trap of misclassifying tenant's improvements and plants.

b. ✓ Correct. Because a tenant is not the building owner and cannot insure the building structure, tenant's improvements are classified under equipment; purchasing improvements made by a prior tenant confers a use interest that is treated the same as if funded by the current tenant, falling under equipment.

c. ✗ Incorrect because it confuses stock with decorative fixtures. Stock includes only merchandise usual to the business held for sale, packing materials, and advertising supplies; permanent store fixtures and display equipment are not goods held for sale.

d. ✗ Incorrect because it assumes improvements made by a prior tenant are uninsurable. As long as the current tenant purchases improvements made by a previous tenant, the tenant holds a use interest treated as own–funded improvements, insurable under equipment as part of contents.

43′ answer d

a. ✗ Incorrect because it includes silk flowers under building. Only live decorative plants inside an owner–occupied building qualify as building; artificial silk plants belong to equipment, falling into the trap of misclassifying tenant's improvements and plants.

b. ✗ Incorrect because it confuses routine maintenance materials with major renovation materials. Only materials kept on premises for maintenance, normal repairs, and minor alterations qualify as building; materials for major additions or new construction are excluded and require Builder's Risk insurance.

c. ✗ Incorrect because it reverses the coverage boundaries of building. Neither silk flowers nor lumber for a major addition qualify as building, whereas live palm trees kept for decorative purposes inside an owner–occupied building are explicitly covered under building.

d. ✓ Correct. Live plants kept for decorative purposes inside an owner–occupied building fall under building; silk flowers, outdoor trees, and major renovation materials are not covered under building.

44 answer c

a. ✗ Incorrect because it falls into the trap of switching the question (insurer payout vs insured share). Applying the coinsurance formula of Did ($240,000) divided by Should ($320,000) times $60,000 yields $45,000, which is the insurer's payout, whereas the question asks how much the insured must bear personally.

b. ✗ Incorrect because it assumes failing to meet the 80% coinsurance requirement ($320,000) results in total denial of a partial loss. Underinsuring merely reduces partial loss payouts proportionally; it does not void coverage.

c. ✓ Correct. Under the 80% coinsurance clause, Should = $400,000 times 80% = $320,000; the insurer pays $240,000 divided by $320,000 times $60,000 = $45,000; the insured bears the difference: $60,000 actual loss minus $45,000 insurer payout = $15,000.

d. ✗ Incorrect because it confuses the coverage shortfall ($320,000 minus $240,000 = $80,000) with the insured's out-of-pocket loss for this claim. The insured's personal share cannot exceed the actual loss of $60,000.

44′ answer a

a. ✓ Correct. Under the coinsurance clause, Should = $600,000 times 80% = $480,000; the insurer pays $360,000 divided by $480,000 times $90,000 = $67,500; the insured absorbs the remainder: $90,000 minus $67,500 = $22,500.

b. ✗ Incorrect because it falls into the trap of switching the question (insurer payout vs insured share). $67,500 is the insurer's payment amount, not the out-of-pocket amount absorbed by the insured.

c. ✗ Incorrect because it assumes failing to carry $480,000 results in zero payment. The coinsurance clause only prorates partial loss settlements by the ratio of Did over Should; it does not deny the claim entirely.

d. ✗ Incorrect because it confuses the waiver of coinsurance threshold with an insured coinsurance penalty cap. $5,000 is the ceiling for waiving coinsurance on small losses, not a cap on the penalty.

45 answer a

a. ✓ Correct. The waiver of coinsurance provision states that coinsurance is not applied when a loss does not exceed the lesser of 2% of the applicable limit or $5,000. Here, 2% of the $150,000 limit is $3,000 (which is less than $5,000); because the $2,800 loss does not exceed $3,000, coinsurance is waived and paid in full.

b. ✗ Incorrect because it falls into the trap of incorrectly applying the coinsurance penalty to small losses. Although the $150,000 limit is below the 80% requirement of $300,000, because the $2,800 loss falls within the $3,000 waiver limit, the coinsurance formula does not apply.

c. ✗ Incorrect because it treats the waiver of coinsurance threshold as a deductible. Losses equal to or below the $3,000 threshold mean coinsurance penalties are waived and the claim is paid in full, not denied.

d. ✗ Incorrect because it misapplies the $2,500 limit. $2,500 is the IBC 4037 extension limit for building damage caused by theft for tenants, which has nothing to do with stock coinsurance waivers.

45′ answer c

a. ✗ Incorrect because the waiver of coinsurance uses the lesser of 2% of the limit ($8,000) or $5,000, not the greater, falling into the trap of confusing numerical thresholds.

b. ✗ Incorrect because both the warning placement and the waiver amount are wrong. The warning must be stamped on the first page, and the lesser of 2% of $400,000 ($8,000) or $5,000 is $5,000.

c. ✓ Correct. Under the exam standard, policies containing coinsurance or limitation clauses must have a warning stamped in red ink on the first page to be binding on the insured (note: current BC Insurance Act s.31 requires conspicuous bold print, but exam candidates must follow the textbook red ink rule); 2% of the $400,000 limit is $8,000, and the lesser of $8,000 or $5,000 is $5,000.

d. ✗ Incorrect because it assumes commercial policies require no limitation warning. Any contract containing deductible or coinsurance limitation clauses must bear a first-page warning, without which the clause is not binding on the insured.

46 answer d

a. ✗ Incorrect because it falls into the trap of assuming the Broad Form covers everything. While the Broad Form covers water damage from frozen or ruptured water lines, flood, surface water overflow, groundwater seepage, and sewer backup remain strictly excluded.

b. ✗ Incorrect because it overlooks two trade exclusions for smoke under the Broad Form. Although the Broad Form covers smoke from sources beyond faulty heating units, smoke from agricultural smudging and industrial operations represents inherent trade risks and remains excluded.

c. ✗ Incorrect because it treats defective workmanship as covered. While the Broad Form covers collapse resulting from the weight of snow, the cost of making good faulty material, workmanship, or design is explicitly excluded.

d. ✓ Correct. One of the five additional coverage areas provided by the Broad Form (IBC 4037) over the Named Perils Form (IBC 4036) is vehicle impact covering buildings struck even by vehicles driven by the insured or an employee (which is the opposite of homeowner form IBC 1151).

46′ answer b

a. ✗ Incorrect because it assumes neighboring occupancies do not affect rates. Occupancy is one of the five rating factors; high-hazard neighbors sharing the building, such as restaurants or auto repair shops, increase the fire rate for all tenants.

b. ✓ Correct. The basic fire rate depends solely on five factors: construction, protection, occupancy, location, and loss experience over the past five years; employee headcount and annual revenue are not among the five rating factors and serve as classic distractors.

c. ✗ Incorrect because it excludes public and private protection. Distance to fire stations, hydrant water supply, and on-premises automatic sprinklers directly determine fire insurance rates.

d. ✗ Incorrect because it ignores loss experience. Underwriters evaluating the basic fire rate specifically examine the frequency and severity of fire losses over the past five years.

47 answer b

a. ✗ Incorrect because it assumes debris removal automatically provides an additional amount of insurance. Debris removal does not increase the policy limit; only unused coverage remaining under that item may be used to pay removal expenses.

b. ✓ Correct. The debris removal clause does not increase the amount of insurance; when stock is a total loss and the stock limit is entirely exhausted, no remaining insurance exists under that item to pay debris removal expenses (an additional debris removal limit must be purchased separately if needed).

c. ✗ Incorrect because it shifts coverage across separate policy items. Commercial property policies set distinct limits for building, stock, and equipment; an exhausted limit under one item cannot be supplemented by unused limits from another item.

d. ✗ Incorrect because it confuses the reinstatement clause. The reinstatement clause ensures policy limits remain intact for future losses following a claim, but it never permits a single occurrence to exceed the applicable policy limit.

47′ answer a

a. ✓ Correct. The protective safeguards clause specifies that the insured has an immediate duty of notification only for known interruptions or defects, maintenance contract cancellations, or police suspension of response due to false alarms; an unknown pipe blockage does not constitute a breach, and the insurer cannot deny coverage on this basis.

b. ✗ Incorrect because it treats the protective safeguards clause as an absolute strict–liability warranty. Only when the insured knows of a defect and fails to provide immediate notice may the insurer reduce coverage, surcharge the policy, or cancel.

c. ✗ Incorrect because it violates the waiver of subrogation rule. The insurer waives subrogation rights against persons having an insurable interest in the policy, such as payees, business partners, and subsidiaries.

d. ✗ Incorrect because it violates the reinstatement clause. Under commercial property policies, the amount of insurance is automatically reinstated following a loss without reduction and without additional premium.

48 answer a

a. ✓ Correct. Robbery insurance protects against unlawful taking from a person under three defined situations: taking by violence or threat of violence, taking from a custodian who has been killed or rendered unconscious, or taking witnessed by the custodian. Money and securities can also be covered under Money and Securities (Broad Form).

b. ✗ Incorrect because it confuses burglary with robbery. Mercantile Stock Burglary covers only on–premises stock and strictly requires proof of visible marks of forcible entry or exit at the exterior of the premises.

c. ✗ Incorrect because it falls into the trap of assuming the Broad Form covers everything. Even the broadest Commercial Property Broad Form explicitly excludes theft of money, securities, jewellery, and furs.

d. ✗ Incorrect because it mistakes cash for valuable documents. Valuable Papers and Records insurance covers the cost of reconstructing blueprints, records, and archives; money and securities are explicitly excluded from the definition of valuable papers.

48′ answer d

a. ✗ Incorrect because it falls into the trap of missing required evidence for crime and locked vehicle claims. The Locked Vehicle Warranty requires four concurrent conditions; missing closed windows or visible marks of forcible entry precludes coverage.

b. ✗ Incorrect because it misapplies the temporary location extension. A temporary location is one not owned, leased, or controlled by the insured (such as a third–party repair shop); the insured's own delivery vehicle is governed by the Locked Vehicle Warranty.

c. ✗ Incorrect because it confuses insurance lines. Boiler and Machinery insurance covers explosions of pressure vessels operating above 15 psi and mechanical or electrical breakdown, having no application to in–transit stock theft.

d. ✓ Correct. Under the Locked Vehicle Warranty, theft from an unattended vehicle is covered only when four conditions are met simultaneously: a fully enclosed metal body or compartment, locked doors, fully closed windows, and visible marks of forcible entry.

49 answer c

a. ✗ Incorrect because it assumes business interruption is cut off by policy expiration. Business Interruption coverage generally provides an indemnity period of 12 months from the date of loss and continues even if the policy expires during that period.

b. ✗ Incorrect because it confuses the Profits Form with the Earnings Form. Coverage that ends as soon as the damaged property is repaired, rebuilt, or replaced is the Earnings Form, not the Profits Form.

c. ✓ Correct. Business Interruption coverage is not terminated by policy expiration (ordinarily providing 12 months of indemnity from the date of loss), and the Profits Form pays until business income is restored to normal pre–loss levels, including ongoing revenue declines caused by customer turnover during closure.

d. ✗ Incorrect because it treats business interruption as merely reimbursing loss mitigation expenses. The core purpose of business interruption is to indemnify for continuing fixed expenses plus net profits lost due to the interruption.

49′ answer b

a. ✗ Incorrect because the coverage objective does not match. The Earnings Form covers lost profits and continuing expenses during a business shutdown until property is repaired, whereas the brokerage needs reimbursement for excess costs incurred to prevent any shutdown.

b. ✓ Correct. Extra Expense Insurance (IBC 4027) is specifically designed to pay all necessary extra costs above normal operating expenses incurred to maintain continuous business operations following a loss, without requiring proof that these expenditures reduced the insurer's loss, making it ideal for insurance brokers, travel agencies, medical clinics, newspapers, and banks.

c. ✗ Incorrect because it confuses policy forms. Builder's Risk covers property in the course of construction on a completed value basis (terminating if work ceases for more than 30 consecutive days); it does not cover extra operating costs for temporary premises and equipment rental.

d. ✗ Incorrect because it confuses the form with an Installation Floater. An Installation Floater covers machinery and equipment installed by specialized contractors during transit, staging, and testing until accepted; it does not cover extra operating expenses to sustain business continuity.

Chapter 8 answers and reasons

50 answer b

a. ✗ Incorrect because the statement itself is true. Common law is based on the rule of precedent, meaning courts generally follow decisions rendered in earlier similar cases.

b. ✓ Correct as the false statement. Statute law is written law enacted by parliament or provincial legislatures that can establish rules in areas with no prior court decisions; it is not derived from court precedents, representing a classic trap of misattributing legal source characteristics.

c. ✗ Incorrect because the statement itself is true. Once enacted, statute law takes priority over and supersedes any conflicting common law precedent on the same subject.

d. ✗ Incorrect because the statement itself is true. Under common law the age of majority was 21, but most provinces enacted statutes lowering it to 18 or 19 (exam candidates follow this general rule; BC Age of Majority Act sets the current age of majority at 19).

50′ answer d

a. ✗ Incorrect because it reverses the order of priority. When a provincial legislature passes a statute, statute law takes precedence over any conflicting common law precedent on the same subject, falling into the trap of misattributing legal source characteristics.

b. ✗ Incorrect because it misstates the prerequisites for legislation. Legislatures have the authority to enact statutes and create rules in areas where no prior judicial precedents exist, falling into the trap of misattributing legal source characteristics.

c. ✗ Incorrect because it violates the evolutionary nature of common law. As social values and conditions evolve over time, courts have the power to overturn earlier common law precedents, representing an absolutist qualifier substitution trap.

d. ✓ Correct. Written statute law enacted by parliament or a provincial legislature supersedes and takes priority over any conflicting common law precedent on the same subject.

51 answer a

a. ✓ Correct as the false element. The first essential element of a tort is that the defendant owed a legal duty to the plaintiff; substituting a moral duty for a legal duty is a classic qualifier substitution trap on licensing exams.

b. ✗ Incorrect because this is the second required element of a tort (duty breached). The defendant must have failed to fulfill the legal duty owed to the plaintiff through an affirmative act or omission.

c. ✗ Incorrect because this is the third required element of a tort. The plaintiff must have sustained actual bodily injury or property damage as a direct consequence of the defendant's breach.

d. ✗ Incorrect because this is an accurate statement of proximate cause within the third element. An unbroken chain of events must link the initial breach directly to the resulting loss without an independent intervening cause.

51′ answer c

a. ✗ Incorrect because it overlooks the break in proximate cause. Although slipping on the icy steps initiated the sequence, the red–light–running driver acted as an independent intervening cause, meaning the concussion was not a direct result of the icy steps, falling into the qualifier substitution trap.

b. ✗ Incorrect because it reverses the burden of proof in negligence. Under common law, negligence must be affirmatively proved by the plaintiff; the defendant is presumed innocent until proven negligent and does not bear the initial burden of disproving fault, falling into the trap of equating strict liability with negligence.

c. ✓ Correct. Under the three elements of a tort and proximate cause rules, the occupier is liable only for the broken ankle as a direct, foreseeable result of the breach of duty; the concussion caused by the red–light–running driver represents an independent intervening cause for which that driver alone is responsible.

d. ✗ Incorrect because it confuses a legal duty with a moral duty. An occupier owes entrants a legal duty to maintain steps in a reasonably safe condition, not merely a moral obligation, falling into the qualifier substitution trap.

52 answer c

a. ✗ Incorrect because strict liability is not an intentional tort. Strict liability merely relieves the plaintiff from proving negligence; unless specifically excluded, standard general liability insurance policies provide coverage for strict liability claims, falling into the trap of equating strict liability with claim denial.

b. ✗ Incorrect because liability attaches without proof of fault. In a strict liability claim, the burden of proof shifts, and the plaintiff is not required to establish that the defendant failed to act as a reasonable person, falling into the trap of equating strict liability with claim denial.

c. ✓ Correct. Under the rule established in Rylands v. Fletcher, conducting a reasonable activity in an unreasonable location (such as storing large quantities of flammables in a populated area), engaging in inherently dangerous activities (such as blasting), or allowing a deliberately set fire to spread all trigger strict liability.

d. ✗ Incorrect because keeping domestic dogs is governed by specific canine liability rules (no free first bite) rather than Rylands v. Fletcher strict liability categories, which apply to wild animals naturally known to be dangerous, falling into the trap of equating strict liability with claim denial.

52′ answer a

a. ✓ Correct. An occupier who brings a non–natural dangerous substance (such as gas, toxic chemicals, or collected water) onto the premises is strictly liable under Rylands v. Fletcher if it escapes and causes harm, and standard liability insurance covers this loss unless specifically excluded.

b. ✗ Incorrect because strict liability applies without regard to fault. Proving adherence to regular maintenance and the standard of a reasonable person cannot defeat a strict liability claim when an unnatural dangerous substance escapes, falling into the trap of equating strict liability with claim denial.

c. ✗ Incorrect because accidental escape causing harm constitutes a civil tort giving rise to financial damages, not solely a criminal offense, and liability insurance routinely responds to such civil liabilities, falling into the trap of equating strict liability with claim denial.

d. ✗ Incorrect because the burden of proof is reversed under strict liability; injured neighbours are not required to prove that the release was caused by negligence or intentional misconduct, falling into the trap of equating strict liability with claim denial.

53 answer d

a. ✗ Incorrect because refraining from setting traps or intentionally causing harm is the minimal duty owed to a trespasser under common law, not to a commercial invitee, falling into the trap of entrant duty of care mismatch (note: exam answers follow common law categories or the four–province visitor rule; current BC Occupiers Liability Act s.3(1) applies a general duty of reasonable care to all persons on the premises with lower duties for three specific categories).

b. ✗ Incorrect because protecting only against known concealed or unusual dangers is the common law standard owed to a licensee (such as a meter reader or salesperson), not to an invitee, falling into the trap of entrant duty of care mismatch.

c. ✗ Incorrect because keeping premises completely free from any danger is the heightened duty owed to young children facing an attractive nuisance under exam rules, not to adult business customers, falling into the trap of entrant duty of care mismatch.

d. ✓ Correct. Under traditional common law categories tested on the exam, an invitee (a customer entering for business purposes) is owed the highest duty among adults: the occupier must protect against both known dangers and dangers that reasonable care and inspection would discover (note: exam rules also test the statutory merger of licensees and invitees into visitors in BC, Alberta, Ontario, and Nova Scotia, while current BC Occupiers Liability Act s.3(1) applies a unified reasonable care standard).

53′ answer b

a. ✗ Incorrect because young children lack the mature judgment to appreciate danger; even when entering without permission, they are not relegated to the adult trespasser standard of merely not setting traps, falling into the trap of entrant duty of care mismatch.

b. ✓ Correct. Unfenced construction pits and machinery that naturally attract children qualify as an attractive nuisance or allurement; under exam rules, occupiers owe children the highest duty of care: keeping the premises free from any danger (note: exam candidates must answer this way, although current BC Occupiers Liability Act s.3(1) applies a standard of care that is reasonable in all the circumstances rather than an absolute zero–danger guarantee).

c. ✗ Incorrect because it confuses an allurement for children with a licensee who is only owed a warning against known concealed dangers, falling into the trap of entrant duty of care mismatch.

d. ✗ Incorrect because an occupier owes an independent duty of care to children attracted by allurements, and parents are not always legally responsible for injuries sustained by their minor children, falling into the qualifier substitution trap.

54 answer a

a. ✓ Correct. A bailee for hire (such as a dry cleaner, repair shop, or fur storage facility holding customer goods for a fee) owes a standard of ordinary care in tort matching the care exercised by others in the same trade, and is liable only when damage results from negligence (though contract terms may expand liability).

b. ✗ Incorrect because inflating ordinary care in tort to the highest degree of care or requiring protection against every possible source of loss is a classic qualifier substitution trap from question 72 of the official practice exam.

c. ✗ Incorrect because landlords of unfurnished premises do not warrant fitness for purpose throughout the lease unless an express warranty is given, defects are deliberately concealed, or the premises are leased furnished (where an implied warranty applies only at the start), falling into the qualifier substitution trap.

d. ✗ Incorrect because in a multi–tenant building, maintenance of common areas such as lobbies, stairwells, parking lots, and roofs is the legal responsibility of the landlord rather than individual tenants, falling into the trap of entrant duty of care mismatch.

54′ answer b

a. ✗ Incorrect because residential landlords are not subject to strict liability without notice; they are generally not liable unless a specific legal exception applies, falling into the trap of equating strict liability with claim denial.

b. ✓ Correct. Under exam rules, when a landlord covenants to repair premises but fails to act after receiving reasonable notice of a defect, the landlord is liable for bodily injury or property damage resulting from that breach (note: this reflects the textbook exam standard; current BC Occupiers Liability Act s.6 holds a landlord liable whenever a tenancy agreement obligates maintenance without requiring prior notice as an absolute statutory condition).

c. ✗ Incorrect because a bailee for hire is a party who temporarily holds personal chattels of another for a fee (such as a garage or dry cleaner), which has no application to a landlord's duty toward residential visitors, falling into the trap of entrant duty of care mismatch.

d. ✗ Incorrect because an implied warranty of fitness applies only to furnished premises at the inception of the tenancy, whereas unfurnished leases carry no continuing implied warranty of fitness, falling into the qualifier substitution trap.

55 answer b

a. ✗ Incorrect because vicarious liability depends strictly on whether the employee was acting in the course of employment at the moment of the tort; engaging in personal business relieves the employer of liability even if the worker wore a company uniform and used job–acquired skills, falling into the trap of confusing course of employment with contractor control.

b. ✓ Correct. An employer's vicarious liability is strictly limited to acts committed in the course of employment; taking an unauthorized private side job during a lunch break constitutes a frolic of their own, which is one of the three established exceptions excusing an employer from liability.

c. ✗ Incorrect because workers compensation provides no–fault statutory benefits to employees injured on the job in exchange for surrendering their right to sue employers; it does not indemnify third–party property damage caused by workers, falling into the trap of confusing course of employment with contractor control.

d. ✗ Incorrect because the employer was neither negligent nor vicariously liable, meaning no joint tortfeasor relationship exists and the employer has no obligation to contribute to the damages, falling into the trap of confusing course of employment with contractor control.

55′ answer d

a. ✗ Incorrect because while occupiers are generally not liable for independent contractor negligence, three specific exceptions create shared liability; asserting that an occupier is never responsible represents a qualifier substitution trap.

b. ✗ Incorrect because workers compensation statutory bars prevent injured employees from suing their employers; they do not bar an injured third–party pedestrian from suing liable tortfeasors, falling into the trap of confusing course of employment with contractor control.

c. ✗ Incorrect because hiring an independent contractor does not create an employer–employee relationship or automatic vicarious liability; when an exception is triggered, both the occupier and contractor are held jointly liable rather than placing sole liability on the owner, falling into the trap of confusing course of employment with contractor control.

d. ✓ Correct. Under exam rules, an occupier who exercises reasonable care in selecting an independent contractor is normally 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 executed (note: this reflects exam standard rules; current BC Occupiers Liability Act s.5(1)(a) additionally requires reasonable care in supervising contractor work to avoid liability).

56 answer c

a. ✗ Incorrect because parents are generally not liable in tort for the actions of their minor children, becoming liable only under four specific exceptions (failure to supervise, entrusting dangerous things or animals, acting on the parents' instructions, or employment in the family business); using always represents a qualifier substitution trap from question 73 of the official practice exam.

b. ✗ Incorrect because under the national exam standard (derived from Ontario statute law), there is no free first bite for domestic dogs; owners are legally liable from the very first bite even without prior signs of viciousness, falling into the trap of equating strict liability with claim denial (note: exam answers follow this textbook rule; BC law does not have a comparable dog owner liability statute, and Community Charter s.49 addresses court seizure and destruction of dangerous dogs).

c. ✓ Correct. Under exam rules, when joint tortfeasors dispute their respective shares of fault, each is held legally liable to the plaintiff for the entire damage award to ensure prompt compensation (in practice, each commonly pays half initially pending internal settlement; note: under current BC Negligence Act s.4(2) and s.1(2), tortfeasors are jointly and severally liable to innocent plaintiffs with fault apportioned proportionately, and damages are split equally only when fault degrees cannot be determined).

d. ✗ Incorrect because minor children are personally liable for their torts unless it is proven that they were unable to appreciate the consequences of their actions; claiming children can never be held liable represents a qualifier substitution trap.

56′ answer a

a. ✓ Correct. Parents are generally not liable for torts committed by their children, but four exceptions exist: failure to supervise and control, entrusting dangerous things or animals to a child (such as guns, ATVs, snowmobiles, or fireworks), acts authorized by parents, or employment in the family business; this scenario directly triggers the dangerous–thing and failure–to–supervise exception.

b. ✗ Incorrect because parents are not automatically and unconditionally liable for all property damage committed by minor children residing in their home, falling into the qualifier substitution trap.

c. ✗ Incorrect because family business employment is only one of four exceptions; entrusting a dangerous instrumentality without adequate supervision also renders parents legally liable, falling into the qualifier substitution trap.

d. ✗ Incorrect because neither a 14–year–old capable of appreciating consequences nor parents entrusting dangerous equipment are shielded by a lack of prior property damage, falling into the trap of equating strict liability with claim denial.

Chapter 9 answers and reasons

57 answer b

a. ✗ Falls into the 'confusing punitive damages with covered benefits' trap. Liability policies cover only compensatory damages; punitive or exemplary damages awarded by a court to punish and deter wrongful conduct must be borne entirely by the insured.

b. ✓ Correct. Property damage includes not only physical damage to tangible property and resulting loss of use, but also the loss of use of tangible property that has not suffered physical damage.

c. ✗ Falls into the 'moral obligation and voluntary admission' trap. A moral obligation does not trigger a liability policy; the policy responds only when the insured is legally liable and negligence is established.

d. ✗ Violates the principle of covering third parties only. Liability insurance covers only bodily injury or property damage suffered by third parties not named in the policy; injury to the insured or damage to the insured's own property requires first–party insurance.

57′ answer d

a. ✗ Falls into the 'excluding loss of use from property damage' trap. Property damage expressly includes loss of use and is not restricted to repair or replacement costs.

b. ✗ Incorrectly narrows the definition. Bodily injury encompasses not only physical bodily trauma, but also sickness or disease and resulting death.

c. ✗ Falls into the 'confusing punitive damages with covered benefits' trap. Exemplary or punitive damages are outside the coverage of a liability policy and must be paid by the insured.

d. ✓ Correct. The core of the insuring agreement is to pay compensatory damages that the insured becomes legally obligated to pay to a third party for bodily injury or property damage caused by an occurrence.

58 answer c

a. ✗ Falls into the 'moral obligation and voluntary admission' trap. The insured generally lacks the legal expertise to determine legal liability, and an admission at the scene does not establish legal liability.

b. ✗ Confuses an investigative role with judicial authority. An independent adjuster is retained to investigate and negotiate, but possesses no authority to determine legal liability.

c. ✓ Correct. A court of law is the authority that ultimately determines whether the insured is legally liable; however, when evidence clearly favours the plaintiff, most cases are resolved through an out–of–court settlement.

d. ✗ Falls into the 'moral obligation and voluntary admission' trap. Neither the plaintiff's counsel nor the insurer's counsel can determine legal liability; only a court of law has that authority.

58′ answer a

a. ✓ Correct. An insured's sense of moral obligation does not trigger coverage; a liability policy responds only when the insured is legally liable, which is determined by a court of law.

b. ✗ Misinterprets judicial determination as requiring a full trial for every claim. Although courts determine liability, insurers routinely settle out of court when the evidence clearly supports the claimant.

c. ✗ Falls into the 'moral obligation and voluntary admission' trap. Neither the insurance broker nor the underwriter has legal authority to determine whether negligence has been established.

d. ✗ Falls into the 'moral obligation and voluntary admission' trap. A moral obligation never triggers a liability policy; negligence and legal liability must be established.

59 answer a

a. ✓ Correct. An occurrence is broader than a sudden and time–definite accident, explicitly encompassing damage resulting from continuous or repeated exposure to substantially the same harmful conditions over time.

b. ✗ Improperly restricts an occurrence to an accident. An unexpected event taking place at an identifiable time and place defines an accident, which is merely one type of occurrence.

c. ✗ Confuses an occurrence basis with a claims–made basis. An occurrence policy requires only that the injury or damage happens during the policy period, regardless of when the claim or lawsuit is filed.

d. ✗ Falls into the 'mistaking per occurrence limit for policy period total' trap. The per occurrence limit resets and becomes fully available for each subsequent occurrence during the policy period.

59′ answer c

a. ✗ Reverses the relationship. An occurrence is broader than an accident: an accident is sudden and time–definite, whereas an occurrence also includes long–term continuous or repeated exposure.

b. ✗ Mistakes a claims–made basis for an occurrence basis. An occurrence policy requires only that the injury or damage occurs during the policy period, responding even if a lawsuit is brought years after policy expiry.

c. ✓ Correct. The core rule of occurrence–basis coverage is that it responds as long as the injury or damage occurred during the policy period, regardless of when the claim is actually made.

d. ✗ Fabricates an ungrounded rule. In standard liability policies, the per occurrence limit automatically resets and is available for each separate occurrence without paying a reinstatement premium.

60 answer d

a. ✗ Falls into the 'mistaking per occurrence limit for policy period total' trap. The $2,000,000 figure is a per occurrence limit that resets for each loss, not an annual aggregate cap.

b. ✗ Considers only the per occurrence limit and overlooks the aggregate limit cap. After paying $1,500,000 and $2,000,000 ($3,500,000 total), only $500,000 remains under the $4,000,000 aggregate limit.

c. ✗ Ignores both the actual claim amount of $1,200,000 and the fact that payouts cannot exceed the remaining balance of the $4,000,000 aggregate limit.

d. ✓ Correct. Apply the two–step limit calculation: the first loss is paid at $1,500,000, the second is capped at the $2,000,000 per occurrence limit ($3,500,000 total paid); for the third loss, only $500,000 remains under the $4,000,000 aggregate limit, so the payout is $500,000.

60′ answer b

a. ✗ Fails to apply the aggregate limit. The first two claims exhaust $600,000 + $900,000 = $1,500,000, leaving only $500,000 of coverage under the $2,000,000 aggregate limit.

b. ✓ Correct. The first two claims fall within the $1,000,000 per occurrence limit and are paid at $600,000 and $900,000 ($1,500,000 cumulative); the third claim of $800,000 is capped by the remaining $500,000 balance of the $2,000,000 aggregate limit.

c. ✗ Falls into the 'mistaking per occurrence limit for policy period total' trap. Confuses the $1,000,000 per occurrence limit with an annual aggregate limit.

d. ✗ Overlooks the capping function of the aggregate limit and incorrectly assumes supplementary payments cover excess claim payouts.

61 answer b

a. ✗ Incorrect calculation sequence. After capping each claimant under the per–person limit, the first two take up $50,000 + $45,000 = $95,000, leaving only $5,000 under the single–occurrence bodily injury total limit, so the third claimant cannot receive $20,000.

b. ✓ Correct. Apply the two–step split limits calculation: first cap each person at $50,000 (Claimant 1 receives $50,000, Claimant 2 receives $45,000, totaling $95,000); second, apply the $100,000 total bodily injury per occurrence limit, leaving $5,000 for Claimant 3, for an aggregate payout of $100,000.

c. ✗ Performs only step one (capping Claimant 1 at $50,000) but fails to perform step two (ensuring total bodily injury payments do not exceed the second limit of $100,000).

d. ✗ Confuses the purpose of the three numbers in split limits. The third number ($25,000) is strictly for property damage per occurrence and cannot be used for bodily injury.

61′ answer a

a. ✓ Correct. Follow the two–step split limits calculation: first, cap each person under the $100,000 per–person bodily injury limit, allocating $100,000 each to Passenger A and Passenger B ($200,000 subtotal); second, apply the $250,000 total bodily injury per occurrence limit, leaving $50,000 for Passenger C.

b. ✗ Looks only at the first number ($100,000 per person) and ignores the overall single–occurrence bodily injury cap of $250,000.

c. ✗ Reverses the calculation steps. Each individual claim must first be capped at the $100,000 per–person limit, rather than adding unreduced claim amounts.

d. ✗ Confuses split limits with an inclusive limit. The third figure of $50,000 in split limits is dedicated exclusively to property damage and cannot be reallocated to bodily injury.

62 answer c

a. ✗ Falls into the 'waiting for a claim before reporting or forcibly preventing claims' trap. The duty of prompt reporting applies to any occurrence that may give rise to a claim, even if the injured party initially claims to be unharmed, rather than waiting for a formal claim to be made. (Note: the exam answer is that prompt reporting is a condition of coverage; in current BC practice, Insurance Act s.13 gives courts discretion to relieve against forfeiture for late reporting where it would be unfair.)

b. ✗ Falls into the 'preventing third–party claims' trap. This is a classic distractor from the official practice exam: preventing claims is never a policy duty, and attempting to do so often violates the prohibition against voluntary payments.

c. ✓ Correct. The insured must not voluntarily make payments or assume obligations without insurer consent (as voluntary payments are non–refundable and may be viewed by a court as an admission of liability); however, emergency first aid at the time of the accident is the sole permitted exception.

d. ✗ Falls into the 'voluntary settlement and admission of liability' trap. The rights to investigate, defend, and settle rest exclusively with the insurer; paying cash on the spot is non–reimbursable and may be treated by a court as an admission of liability.

62′ answer d

a. ✗ Falls into the 'waiting for a claim before reporting' trap. The insured must promptly report any occurrence that may give rise to a claim, rather than waiting until formal legal documents are received.

b. ✗ Distorts the scope of first aid. First aid applies strictly to immediate medical assistance for injured persons; paying for property damage or offering settlement money does not qualify as first aid and will not be reimbursed.

c. ✗ Falls into the 'preventing third–party claims' trap. Preventing claims is not an insured's duty; paying private settlements infringes upon the insurer's exclusive right to investigate and settle claims.

d. ✓ Correct. The store owner breached policy conditions by failing to promptly report an occurrence that might result in a claim, and by voluntarily making a payment without insurer consent (which did not qualify as first aid).

63 answer a

a. ✓ Correct. Supplementary payments cover defence costs, court costs taxed against the insured, and post–judgment interest over and above policy limits, but interest is calculated strictly on the $1,000,000 portion within the policy limit. (Note: the exam answer is only that interest runs from the date of judgment and only on the portion within the limit; in current BC practice the interest rate is simple interest under the Court Order Interest Act.)
b. ✗ Falls into the 'judgment principal exceeding limits covered by supplementary payments' trap. This is a classic wrong option from question 77 of the official practice exam: supplementary payments cover expenses, legal costs, and eligible interest, never judgment principal in excess of policy limits.
c. ✗ Incorrect calculation base for interest. Even if an appeal causes delay, post–judgment interest under supplementary payments is calculated solely on the amount within the policy limit ($1,000,000); excess principal and its interest remain the insured's responsibility.
d. ✗ Confuses inside–limit with outside–limit payments. Supplementary payments are provided over and above the policy limit and do not reduce the $1,000,000 limit reserved for paying damages.

63′ answer b

a. ✗ This is covered under supplementary payments item 2. Reasonable expenses incurred by the insured at the insurer's request to assist in defence are payable over and above policy limits.
b. ✓ Correct (selecting the item that does NOT apply). Judgment principal exceeding the policy limit is not covered under supplementary payments and must be paid entirely by the insured.
c. ✗ This is covered under supplementary payments item 3. Court costs taxed against the insured in a liability action are paid over and above the policy limit.
d. ✗ This is covered under supplementary payments item 1. Costs of defence, including legal representation and retaining an independent adjuster, are paid over and above policy limits.

Chapter 10 answers and reasons

64 answer b

a. ✗ Falls into the trap of premises automatic coverage boundaries. Seasonal residences owned by the named insured or their spouse must be specifically listed on the Coverage Summary page to be covered as premises; unlisted seasonal properties are not covered automatically.
b. ✓ Correct. An individual or family cemetery plot or burial vault owned by an insured is one of the five categories of locations automatically included within the definition of premises without being listed.
c. ✗ Falls into the trap of premises automatic coverage boundaries. Although vacant land owned or rented by the insured in Canada is automatically included, the policy wording explicitly excludes vacant farmland.
d. ✗ Falls into the trap of premises automatic coverage boundaries. Non–owned premises where the insured is temporarily residing qualify only if the continuous occupancy does not exceed 90 days; a rental exceeding 90 continuous days is not automatically covered.

64′ answer d

a. ✗ Falls into the trap of premises automatic coverage boundaries. Vacant land automatically included within the premises definition must be located in Canada; vacant residential land acquired outside Canada must be insured separately.

b. ✗ Falls into the trap of premises automatic coverage boundaries. Land under construction automatically qualifies as premises only if it is in Canada and involves an independent contractor building a one, two, or three–family dwelling intended for insured occupancy; commercial plazas or developments exceeding three families do not qualify.

c. ✗ Falls into the trap of premises automatic coverage boundaries. Seasonal residences owned by the named insured or their spouse must be specifically described on the Coverage Summary page to be covered; if omitted, they are not covered.

d. ✓ Correct. Premises in Canada intended as the insured's principal residence are automatically covered from the date of taking possession for up to 30 continuous days, policy expiry or termination, or the date other liability insurance is secured, whichever occurs first.

65 answer c

a. ✗ Falls into the trap of the four–peril exceptions to care, custody, or control. Borrowed tools are in the insured's care, custody, or control and are excluded under Coverage E; the four–peril exception applies only to third–party premises and their contents, not to borrowed tools.

b. ✗ Falls under the Coverage E work performed exclusion. Property damage to personal property or fixtures arising out of work performed on them by the insured or anyone on the insured's behalf is explicitly excluded under Coverage E.

c. ✓ Correct. Although a rented holiday lodge is in the insured's care, custody, or control, unintentional damage to third–party premises and contents caused by fire, explosion, water damage, or smoke from faulty heating or cooking equipment is an explicit exception to the exclusion; Coverage E pays provided the insured is legally liable.

d. ✗ Falls into the trap of confusing first–party with third–party coverage. Bodily injury to the insured or any person residing in the insured's household is excluded under Coverage E (with residence employees as the only exception).

65′ answer a

a. ✓ Correct. Although bodily injury to the insured and household residents is excluded under Coverage E, residence employees are an explicit exception to this exclusion; Coverage E responds when a residence employee is injured on the job through the insured's negligence.

b. ✗ Falls into the trap of the four–peril exceptions to care, custody, or control. The smoke exception for rented premises is strictly limited to smoke from the sudden, unusual, and faulty operation of a heating or cooking unit; smoke from a fireplace is explicitly excluded.

c. ✗ Falls into the trap of confusing first–party with third–party coverage. Bodily injury claims by any person residing in the household, including roomers or boarders, are explicitly excluded under Coverage E.

d. ✗ Excluded under liability assumed by contract. Assuming liability through an oral promise does not qualify under either exception (liability that would attach without a contract, or liability assumed under a written contract relating to the premises); Coverage E does not pay.

66 answer a

a. ✓ Correct. Voluntary Medical Payments (Coverage F) does not require proof of legal liability or fault; it pays reasonable surgical, dental, hospital, nursing, ambulance, and funeral expenses incurred within 1 year of the accident date when an insured unintentionally injures someone or an accident occurs on an insured premises.

b. ✗ Falls into the trap of confusing first–party with third–party coverage. Coverage F never covers medical expenses for the insured or residents of the insured's household (except residence employees).

c. ✗ Misreads Coverage F exclusions. Any expenses payable or covered by another medical, dental, surgical, or hospitalization plan are explicitly excluded under Coverage F.

d. ✗ Falls into the time limit trap under voluntary coverages. Coverage F only pays reasonable medical expenses incurred within 1 year of the date of the accident, not expenses incurred thereafter.

66′ answer c

a. ✗ Falls into the trap of confusing first–party with third–party coverage. Coverage F never pays medical expenses for the insured, whether the accident occurs in Canada or abroad.

b. ✗ Excluded under workers' compensation legislation. Expenses incurred by persons covered under workers' compensation acts are explicitly excluded under Coverage F.

c. ✓ Correct. Voluntary Medical Payments (Coverage F) does not require establishing fault or legal liability; it covers reasonable surgical, dental, hospital, nursing, ambulance, and funeral expenses incurred within 1 year of the accident date.

d. ✗ Falls into the trap of confusing Coverage E with Coverage F. Compensatory damages awarded following a finding of legal liability are paid under Coverage E, whereas Coverage F is a voluntary no–fault payment.

67 answer d

a. ✗ Falls into the age limit trap. Coverage G covers intentional damage only when committed by an insured aged 12 or under; intentional damage by a 15–year–old is excluded.

b. ✗ Falls into the coverage scope trap. Coverage G explicitly excludes loss of use, disappearance, or theft; a mysteriously missing laptop is not covered.

c. ✗ Falls into the trap of confusing first–party with third–party property. Property owned or rented by an insured or an insured's tenant is explicitly excluded under Coverage G.

d. ✓ Correct. Coverage G provides an explicit exception for direct property damage intentionally caused by an insured aged 12 or under; snapping a neighbour's fishing rod intentionally at age 8 is covered without requiring proof of legal liability.

67′ answer b

a. ✗ Excluded under Coverage G. Claims arising from loss of use, disappearance, or theft of property are explicitly excluded under Coverage G.

b. ✓ Correct. Voluntary Payment for Damage to Property (Coverage G) covers direct property damage unintentionally caused by an insured, even though the insured is not legally liable.

c. ✗ Falls into the trap of confusing first–party with third–party property. Property owned by the insured or covered under Section I is explicitly excluded under Coverage G.

d. ✗ Violates the direct damage restriction. Claims resulting from loss of use or lost business revenue are explicitly excluded under Coverage G.

68 answer b

a. ✗ Confuses rules for owned versus non–owned watercraft. The 38 kW (50 H.P.) limit applies only to owned watercraft; for non–owned watercraft, third–party liability is covered regardless of horsepower or type.

b. ✓ Correct. Third–party bodily injury and property damage arising from the use of any non–owned watercraft are covered regardless of horsepower; however, the borrowed boat itself is in the insured's care, custody, or control, so damage to the boat is excluded under Coverage E.

c. ✗ Falls into the trap of the four–peril exceptions to care, custody, or control. A borrowed boat is personal property in the insured's care, custody, or control and does not fall under the four–peril exception for third–party premises; damage to the boat itself is excluded.

d. ✗ Completely reverses coverage. Injury to third parties caused by a non–owned boat is covered under Section II of the Homeowners policy, while damage to the borrowed boat itself is excluded under care, custody, or control.

68′ answer c

a. ✗ Exceeds the horsepower limit for outboard motors. Owned watercraft with outboards are automatically covered only up to 12 kW (16 H.P.) in total; 38 kW (50 H.P.) applies only to other motor types, and and because it was not newly purchased (not within 30 days), the 30–day automatic period does not apply.

b. ✗ Violates trailer attachment conditions. A trailer is covered under Section II only when not attached to, carried on, or towed by a motor vehicle subject to motor vehicle registration; detachment while being towed is covered by automobile insurance.

c. ✓ Correct. Owned self–propelled lawn mowers, snow blowers, or garden–type tractors are automatically covered provided they do not exceed 19 kW (25 H.P.) in power.

d. ✗ Violates the location limitation. A motorized golf cart is automatically covered only while in use on a golf course; driving it on public roadways is excluded.

69 answer a

a. ✓ Correct. The business pursuits exceptions provide that temporary or part–time business pursuits of an insured under the age of 21 (such as babysitting or newspaper delivery) remain covered. Although the Age of Majority Act in BC sets majority at age 19, standard insurance policy wording governs and the exam tests the policy term of under age 21.

b. ✗ Mixes up two different numbers. Age 12 or under is the Coverage G age limit for intentional damage by a minor to another person's property; it is not the age for the part–time business pursuits exception, which is under age 21.

c. ✗ Mixes up two different numbers. 16 is the horsepower figure (12 kW / 16 H.P.) for automatic coverage of owned outboard watercraft; the age limit in the standard wording for the part–time business pursuits exception is under 21.

d. ✗ Mixes up two different numbers. 25 is the horsepower figure (19 kW / 25 H.P.) for automatic coverage of self–propelled lawn mowers and garden tractors; the age limit for the part–time business pursuits exception is under 21.

69′ answer d

a. ✗ Exceeds the vehicle stall limit. The business pursuits exception permits renting or holding for rent not more than 3 car spaces or stalls; renting four spaces exceeds the limit and is excluded.

b. ✗ Exceeds the boarder limitation. When renting part of an insured two– or three–family dwelling, the exception allows not more than 2 roomers or boarders per family unit; accommodating more than 2 is excluded.

c. ✗ Falls into the trap of confusing commercial and professional liabilities. The rendering of or failure to render professional services is an absolute general exclusion under Section II, requiring Errors and Omissions (E&O) coverage.

d. ✓ Correct. The occasional rental of the portion of the dwelling usually occupied by the insured is one of the six automatic exceptions to the business pursuits exclusion.

70 answer c

a. ✗ Falls into the commercial hazard classification trap. Premises and operations liability covers bodily injury or property damage occurring while work is in progress; because this loss occurred after work was completed and handed over, it is not an ongoing operations loss.

b. ✗ Falls into the commercial hazard classification trap. Products liability applies to defects in goods or items sold by the insured, whereas property damage resulting from faulty installation after completion falls under completed operations.

c. ✓ Correct. Completed operations liability covers third-party bodily injury or property damage arising out of work completed and handed over by the contractor caused by faulty workmanship.

d. ✗ Falls into the commercial hazard classification trap. Errors and omissions covers professionals providing advice or consultancy (such as accountants, lawyers, or brokers), while physical water damage resulting from plumbing work is covered under CGL completed operations.

70′ answer b

a. ✗ Falls into the commercial hazard classification trap. Tripping over a stock cart and breaking an ankle is physical harm classified as bodily injury arising from premises operations, not personal injury.

b. ✓ Correct. In a CGL policy, personal injury refers to injury other than bodily injury arising out of business operations, including libel, slander, malicious prosecution, wrongful entry or eviction, and discrimination.

c. ✗ Falls into the commercial hazard classification trap. Scalding from a defective coffee carafe sold by the business is bodily injury covered under products liability, not personal injury.

d. ✗ Falls into the commercial hazard classification trap. Professional errors by healthcare practitioners such as dentists or physicians are excluded under CGL and must be covered by Malpractice Insurance.

Chapter 11 answers and reasons

71 answer c

a. ✗ Falls into the trap of confusing the consequences of fraud and age misstatement. Only fraudulent misrepresentation or lack of insurable interest at policy inception renders a contract void; a misstatement of age does not void the contract.

b. ✗ Misunderstands the scope of the incontestability period. The two-year incontestability clause explicitly excludes fraudulent misrepresentation and misstatement of age as exceptions, and the insurer is legally entitled to deduct unpaid premiums from the claim payment.

c. ✓ Correct. Matches the characteristics of individual Accident and Sickness Insurance (A&S) contracts: misstatement of age is a statutory exception to the two-year incontestability clause, handled by adjusting benefits or premiums to reflect the insured's true age rather than declaring the contract void; additionally, unpaid premiums may be directly deducted from the claim payment.

d. ✗ Confuses the written consent rule under insurable interest. An individual inherently has an insurable interest in their own life and health, requiring no written consent from family members, and the policy contains no provision for administrative penalties.

71′ answer a

a. ✓ Correct. The two–year incontestability clause has two exceptions: fraudulent misrepresentation and misstatement of age. Intentionally concealing a serious pre–existing medical condition constitutes fraudulent misrepresentation, which the insurer may challenge at any time and typically declare the contract void.

b. ✗ Overlooks the fraud exception to incontestability. After two years, incontestability protects only non–fraudulent statements; fraudulent misrepresentation can be challenged and claims denied at any time.

c. ✗ Falls into the trap of confusing the consequences of fraud and age misstatement. Adjusting benefits or premiums to reflect true circumstances is the remedy for a misstatement of age, not for fraudulent misrepresentation.

d. ✗ Contradicts the first characteristic of an individual A&S contract: the application itself forms part of the insurance contract, rather than merely allowing unpaid premiums to be deducted.

72 answer b

a. ✗ Falls into the trap of reversing the impact of elimination periods and disability definitions on premiums. A shorter elimination period and choosing an own–occupation definition both increase the premium; furthermore, rate increases under cancellable policies can apply only to an entire class of insureds, never singling out an individual.

b. ✓ Correct. A longer elimination period, a shorter benefit period, and a narrower disability definition such as any occupation lower claims costs, resulting in a lower premium; simultaneously, renewal premiums on a non–cancellable policy are guaranteed to age 65 and cannot be changed by the insurer.

c. ✗ Falls into the trap of reversing premium directions and confusing policy types. A longer benefit period and a shorter elimination period increase premiums; increasing rates at renewal across an entire class of insureds applies to cancellable policies, whereas non–cancellable policies cannot alter premiums.

d. ✗ Contradicts disability statistics and underwriting rules. The own–occupation definition is the broadest and carries the highest premium; additionally, as people age, the probability of disability from sickness increases significantly, and insurers generally do not offer individual A&S coverage to individuals over age 60.

72′ answer d

a. ✗ Confuses core concepts. Mode of transportation is not a rating factor for either travel insurance or disability insurance; furthermore, under guaranteed renewable policies, the insurer can never single out an individual insured for a rate increase at renewal.

b. ✗ Misidentifies the three pricing factors. Insurable income limits and statutory conditions are not the three primary pricing factors alongside claims costs; furthermore, policies other than non–cancellable may adjust renewal premiums across an entire class if that class's claims experience deteriorates.

c. ✗ Employer payroll assessments belong to workers' compensation plans; the three primary pricing factors for individual A&S are cost of claims, operating expenses, and investment income.

d. ✓ Correct. Individual A&S premiums are determined by three primary factors: cost of claims, operating expenses, and investment income; for cancellable or adjustable policies, if claims experience for a particular class of insureds deteriorates, the insurer may increase premiums for that entire class, but cannot single out any individual.

73 answer a

a. ✓ Correct. Own occupation is the broadest definition: as long as the insured cannot perform the important duties of their own occupation, full benefits are paid even if they engage in another occupation; benefits begin after the elimination period expires and continue until the earliest of recovery, death, or the end of the benefit period.
b. ✗ Falls into the trap of reversing disability definitions and benefit termination rules. The any–occupation definition is the narrowest, paying no benefits if the insured can perform any work commensurate with their education, training, experience, or earnings; additionally, benefit termination depends on whichever event occurs first, not last.
c. ✗ Confuses the any–occupation definition with insurable income ceilings. Under the any–occupation definition, because the violinist can engage in conservatory lecturing commensurate with their education, experience, and earnings, benefits cease entirely.
d. ✗ Violates the core rule of own occupation: under an own–occupation definition, even if the insured is already engaged in another occupation, the policy pays full benefits once the elimination period has been satisfied.

73′ answer c

a. ✗ Falls into the trap of reversing disability definitions. Own occupation is the broadest definition, not the narrowest definition.
b. ✗ Injects the workers' compensation 90% net earnings benchmark and group weekly indemnity day–1 accident start date and 52–week duration into an individual disability definition question.
c. ✓ Correct. The narrowest disability definition is any occupation: as long as the insured is able to engage in any occupation commensurate with their education, training, experience, or earnings, the policy pays no benefits.
d. ✗ Violates the any–occupation definition and benefit termination conditions. Not only are benefits denied when the insured can engage in commensurate work, but even when payable, benefits cease upon the earliest of recovery, death, or the end of the benefit period.

74 answer d

a. ✗ Falls into the trap of confusing work–related vs. non–work–related claims and weekly indemnity start dates. Group weekly indemnity begins on day 1 only for accidents; for sickness, benefits begin on day 4, 8, or 15; additionally, group disability coverage terminates automatically upon cessation of employment.
b. ✗ The first part is correct, but the second part is false: disability coverage under a group insurance plan terminates automatically when the employment relationship ends, and is not automatically converted into an employer–funded individual policy.
c. ✗ Confuses workers' compensation with group weekly indemnity. Weekly indemnity for sickness begins on day 4, 8, or 15, specifically designed to exclude minor illnesses like colds and flu that resolve within a few days.
d. ✓ Correct. Group weekly indemnity is short–term coverage (13, 26, or 52 weeks) starting on day 1 for accidents and on day 4, 8, or 15 for sickness, excluding minor illnesses like colds or flu that resolve within days; furthermore, group disability coverage automatically ceases when employment ends.

74′ answer b

a. ✗ Falls into the trap of confusing weekly indemnity start dates for sickness versus accidents. Day 4, 8, or 15 applies to sickness, whereas accident benefits begin on day 1; LTD attaches immediately upon expiry of the weekly indemnity period, unrelated to the two-year incontestability clause.

b. ✓ Correct. Group weekly indemnity begins on day 1 of disability for accidents, with benefit periods of 13, 26, or 52 weeks; eligibility for Long Term Disability (LTD) begins when the weekly indemnity period expires, commonly paying to age 65 as long as the definition of disability continues to be met.

c. ✗ Completely reverses the division of responsibility between workers' compensation and A&S. Workers' compensation covers only work-related accidents, whereas the 90%+ of accidents unrelated to work rely specifically on A&S (including group plans).

d. ✗ Confuses weekly indemnity, LTD, and optional add-on coverages. Benefits beginning on day 1 for accidents apply to weekly indemnity; prescription drugs and dental care belong to Major Medical (Extended Health Care) and dental add-on plans.

75 answer a

a. ✓ Correct. Workers' compensation premiums are funded entirely by employers, providing no-fault benefits where injured employees surrender the right to sue employers (thus receiving no pain and suffering damages), and temporary disability benefits pay 90% of the employee's net earnings. On the exam, answer 90% of net earnings (and that legislation requires employers in certain industries to participate); in current BC practice, while benefits are also calculated at 90% of net earnings, an annual maximum assessable earnings cap applies along with specific employer or domestic service hour thresholds for registration.

b. ✗ Incorrect in three respects: workers' compensation premiums are paid solely by employers (employees pay nothing); employees waive the right to sue employers and receive no court-awarded pain and suffering damages; and temporary disability is calculated as 90% of net earnings, not gross earnings.

c. ✗ Falls into the trap of confusing workers' compensation with non-work-related accidents. Workers' compensation benefits begin on day 1 of disability, and an automobile accident while commuting home after work is not a work-related accident and is not covered by workers' compensation.

d. ✗ Falls into the trap of confusing funding and coverage rules. Employees do not pay workers' compensation premiums, and regarding sickness, workers' compensation covers only industrial diseases contracted on the job, not naturally occurring illnesses.

75′ answer c

a. ✗ Overlooks industrial disease coverage. Although naturally occurring illnesses are not covered by workers' compensation, occupational diseases contracted through workplace chemical exposure are covered by the workers' compensation plan.

b. ✗ Falls into the trap of confusing work-related and non-work-related accidents. A traffic accident while driving home after work is not work-related and is not covered by workers' compensation.

c. ✓ Correct. Workers' compensation covers only work-related accidents and industrial diseases contracted on the job, so the respiratory illness from workplace chemical inhalation is covered; the collision while commuting home is not work-related and must be covered by individual or group A&S insurance. For exam purposes, answer based on whether the condition is work-related and that benefits equal 90% of net earnings with mandatory participation for certain industries; current BC practice applies an annual maximum assessable earnings cap.

d. ✗ Completely reverses coverage boundaries for industrial diseases and non-work commuting accidents. Industrial diseases are covered by workers' compensation, whereas accidents occurring on the commute home from work are not covered.

76 answer b

a. ✗ Falls into the trap of injecting travel mode into pricing and misjudging dependent children. Travel destination is an important rating factor; however, the 27–year–old non–disabled child exceeds the age 26 ceiling and cannot qualify as a dependent child.

b. ✓ Correct. Travel insurance pricing considers individual or family plan, single trip or annual, number of trips, trip duration, travel destination, policy limits, and age and health, but does not consider the mode of transportation; dependent children must be unmarried, residing at home, and fully supported, under age 20, or under age 26 if attending an accredited educational institution, with no age limit for dependent children with mental or physical disabilities.

c. ✗ Age and health are core rating factors for travel insurance; additionally, children aged 20 to under 26 must be unmarried, residing at home, fully supported, and attending an accredited educational institution to qualify as dependent children.

d. ✗ Trip duration directly affects premiums (single–trip policies up to 180 days, annual policies offering 30, 60, 90, or 180 days per trip); the 27–year–old child working full–time exceeds the age 20/26 thresholds and does not qualify as a dependent child.

76′ answer d

a. ✗ Incorrect on both points: pre–existing medical conditions are not automatically covered under single–trip policies up to 180 days; furthermore, like all A&S policies, travel insurance is governed by provincial statutory conditions.

b. ✗ Falls into the trap of injecting mode of transportation into travel insurance pricing. Mode of transportation is not a rating factor, and travel insurance has no standard policy forms, with wording varying by insurer.

c. ✗ Confuses the age 20 threshold for dependent children with pre–existing condition stability period rules; furthermore, individual travel insurance policies are governed by statutory conditions.

d. ✓ Correct. Pre–existing conditions are not automatically covered, although some policies provide coverage after a stability period (3 or 6 months depending on the medical condition) where the condition has remained controlled and unchanged, and travel insurance is governed by provincial statutory conditions. For exam purposes, state that stability periods are 3 or 6 months and statutory conditions apply; current practice has no nationally standardized stability duration, and the BC Insurance Act contains specific provisions regarding pre–existing conditions not explicitly excluded and group policy statutory conditions.

77 answer c

a. ✗ Triggers a common exclusion: pregnancy, miscarriage, or childbirth occurring within 8 weeks of the expected delivery date, as well as any high–risk pregnancy, is explicitly excluded under travel insurance.

b. ✗ Falls into the trap of misapplying exclusion boundaries. Participating in professional sports or hazardous activities is a common exclusion under travel insurance.

c. ✓ Correct. Sudden severe food poisoning during travel meets the definition of an emergency (an unforeseen, unexpected medical condition occurring during the coverage period requiring immediate treatment), and because the trip had already commenced, mid–trip hospitalization resulting in non–refundable prepaid travel expenses, hotel convalescence, and return transportation falls within the coverage limits of trip interruption.

d. ✗ Falls into the trap of confusing trip cancellation with trip interruption. Trip cancellation operates only prior to departure; an injury occurring mid–voyage during the trip that forces travel to end falls under trip interruption, not trip cancellation.

77′ answer a

a. ✓ Correct. Trip cancellation coverage operates prior to departure: it reimburses the insured when a covered medical emergency or the death of a specified family member occurs before the departure date, making it impossible to travel; disruptions occurring after departure are covered under trip interruption.

b. ✗ Falls into the trap of reversing trip cancellation and trip interruption. Trip interruption covers only losses occurring after departure; prepaid travel losses caused by inability to depart before the trip begins are covered by trip cancellation.

c. ✗ Confuses optional non–medical coverages (baggage, ticket, passport loss, and legal counsel) with trip cancellation. The death of an immediate family member is one of the standard covered triggers under trip cancellation.

d. ✗ Erroneously applies coverage territory requirements (effective more than 500 kilometres from home or out–of–province) for travel medical coverage to pre–departure trip cancellation coverage.

Chapter 12 answers and reasons

78 answer c

a. ✗ Falls into the trap of mistakenly selecting the lowest–risk driver for the 25% combined factor: when multiple secondary drivers are listed, the 25% weight of the combined driver factor uses the highest–risk listed driver (the son at 1.250), not the brother with the best factor (0.700), resulting in a combined factor higher than 1.000.

b. ✗ Falls into the trap of improperly lowering the combined factor: although the neighbour's driver factor is better than the principal driver's, the rules explicitly state that only a family member or employee of the policyholder can lower the combined factor; a neighbour cannot be used to reduce the premium.

c. ✓ Correct: when only a spouse is listed in addition to the principal driver, the combined driver factor is calculated as 75% principal driver (1.000) plus 25% spouse (0.720); because a spouse qualifies as a family member, their lower individual driver factor can reduce the combined driver factor below 1.000.

d. ✗ Falls into the trap of improperly lowering the combined factor: an unrelated household roommate is neither a family member nor an employee, so even though their individual driver factor is below 1.000, the system does not permit listing them to lower the combined factor.

78′ answer a

a. ✓ Correct: when two or more drivers are listed, the combined driver factor is determined by 75% of the principal driver's factor plus 25% of the highest–risk secondary listed driver (the nephew at 1.150).

b. ✗ Falls into the trap of mistakenly selecting the lowest–risk driver for the 25% combined factor: the 25% weighting is assigned to the highest–risk driver (least experience, most at–fault crashes), not the sister who represents the lowest risk and has the best driving record.

c. ✗ Falls into the trap of inventing an arbitrary apportionment: regardless of how many secondary drivers are listed, only the principal driver (75%) and the single highest–risk secondary listed driver (25%) are factored into the calculation; the formula is never split into 50/25/25.

d. ✗ Falls into the trap of assuming the highest–risk driver fully replaces the principal: a 100% single–driver factor applies only when the principal driver is the sole listed driver; when multiple drivers are listed, the principal driver still accounts for 75% and the highest–risk secondary driver accounts for only 25%.

79 answer a

a. ✓ Correct: under the exam standard, crash forgiveness requires at least 20 years of driving experience in BC and no chargeable claims during the recent 10–year scan period to forgive one at–fault crash. (Note: answer based on exam standard; current ICBC practice requires 20 years of total licensed driving experience with at least 10 years in BC.)

b. ✗ Falls into the trap of using out–of–province driving experience to satisfy crash forgiveness: under the exam standard, all 20 years of driving experience must be in BC (and even under current practice, at least 10 years must be in BC); a new resident licensed in BC for only one year does not qualify for crash forgiveness.

c. ✗ Falls into the trap of confusing the 15–year and 20–year numbers: 15 years is the licensing history window ICBC reviews for new residents upon arrival, whereas crash forgiveness requires 20 years of driving experience.

d. ✗ Falls into the trap of overlooking the 10–year claim–free scan period: although the driver has over 20 years of BC driving experience, a chargeable claim occurred 6 years ago, violating the prerequisite of having no chargeable claims within the recent 10–year scan period.

79′ answer d

a. ✗ Falls into the trap of counting out–of–province crashes in the driver factor: for a new resident, crashes caused outside BC prior to moving are not counted (only at–fault crashes occurring in BC after arrival are counted).

b. ✗ Falls into the trap of crediting excess years and improperly granting crash forgiveness: while pre–BC crashes are indeed ignored, ICBC credits a maximum of 15 years of prior licensing history (not all 18 years), and new residents receive a higher driver factor for their first 3 years and do not qualify for crash forgiveness.

c. ✗ Falls into the trap of confusing new resident and learner rules: learners receive a discounted factor; new residents receive an increased driver factor during their first 3 years, and ICBC reviews up to 15 years of pre–arrival licensing history.

d. ✓ Correct: a new resident is subject to a higher driver factor for the first 3 years (decreasing annually if claim–free), ICBC reviews up to 15 years of driving history prior to arrival, and crashes occurring prior to moving to BC are not counted.

80 answer b

a. ✗ Falls into the trap of assuming non–residents are exempt from lawsuit restrictions: the lawsuit restrictions against at–fault drivers for bodily injury, death, and vehicle damage under BC's Enhanced Care regime implemented on May 1, 2021 apply equally to BC residents and non–residents.

b. ✓ Correct: under the no–fault framework of Enhanced Care, both residents and non–residents are generally barred from suing an at–fault driver for bodily injury; however, no–fault simply means lawsuits are restricted, and ICBC must still determine fault percentages to govern vehicle damage settlements, driver factor adjustments, and UDAP assessments.

c. ✗ Falls into the trap of equating no–fault with ignoring fault: no–fault means litigation rights are restricted and care/rehabilitation benefits are provided regardless of fault, but ICBC still determines accident fault percentages.

d. ✗ Falls into the trap of assuming at–fault drivers receive no medical benefits: under the no–fault Enhanced Care system, both victims and at–fault drivers receive comprehensive care and rehabilitation benefits regardless of fault.

80′ answer a

a. ✓ Correct: under Enhanced Care, all BC residents are entitled to comprehensive medical care and rehabilitation benefits on a no–fault basis, so eligibility for these basic care benefits is not determined by fault percentages.

b. ✗ Falls into the trap of assuming vehicle damage settlements ignore fault: the primary application of ICBC assigning fault percentages is to determine how own vehicle damage claims are settled under an Autoplan policy (such as Basic vehicle damage paying according to the percentage not at fault).

c. ✗ Falls into the trap of assuming driver factor changes ignore fault: only causing a chargeable claim will increase an involved driver's individual driver factor; a not–at–fault crash will not cause it to rise at renewal.

d. ✗ Falls into the trap of assuming unlisted driver surcharges ignore fault: one of the prerequisites for charging an Unlisted Driver Accident Premium (UDAP) to the vehicle's registered owner is that an unlisted driver caused an at–fault claim.

81 answer d

a. ✗ Falls into the trap of mismatching coverage types and mileage thresholds between the two discounts: the Low–Kilometre discount requires an annual policy driven less than 5,000 km to receive a 10% discount on Basic coverage; 7,200 km exceeds 5,000 km, so only the Optional coverage Distance–Based discount is available.

b. ✗ Falls into the trap of assuming both discounts apply above 5,000 km: only motorists driving under 5,000 km qualify for both the Basic Low–Kilometre discount and the Optional Distance–Based discount; 7,200 km qualifies only for the latter.

c. ✗ Falls into the trap of misjudging the proof format and time limit: a repair shop invoice dated within 7 days showing the actual odometer reading is acceptable proof of mileage; it does not have to be a photograph taken on the exact day of renewal.

d. ✓ Correct: under the exam standard, an annual policy driven under 10,000 km (7,200 km here) with actual odometer proof submitted within 7 days qualifies for the 10—15% Distance–Based discount on eligible Optional coverages, but because it exceeds 5,000 km, it does not qualify for the 10% Basic Low–Kilometre discount. (Note: answer based on the exam standard of <10,000 km; current ICBC rules as of June 1, 2025 have expanded the renewal threshold to <15,000 km.)

81′ answer b

a. ✗ Falls into the trap of misremembering allowed days and assuming immediate 10–year cancellation: the Senior discount permits up to 6 days per calendar month for commuting, business, or delivery, and a first chargeable claim merely reduces the discount; only a second chargeable claim within the 10–year scan period cancels it.

b. ✓ Correct: drivers aged 65 and older insuring for pleasure use receive the Senior discount (under the exam standard covering Basic, Extended Third–Party Liability, and own damage), allowing up to 6 days per calendar month for commute, business, or delivery; one chargeable claim reduces the discount, and a second within 10 years cancels it. (Note: the exam standard applies the discount to all three coverages; current ICBC public guides state 25% off Basic only.)

c. ✗ Falls into the trap of assuming pleasure use strictly bans all commuting: the Senior discount explicitly allows up to 6 days per calendar month for commute, business, or delivery; a single non–pleasure trip does not void the discount for the entire policy term.

d. ✗ Falls into the trap of mixing numbers and misapplying immobilizers: the monthly limit is 6 days rather than 10 days, and a passive electronic immobilizer provides a discount only on Specified Perils and Comprehensive, having no bearing on how at–fault collision claims affect the Senior discount.

82 answer a

a. ✓ Correct: when an unlisted driver causes an at–fault crash, the record attaches to the friend who was driving, so the owner Tariq's driver factor is unaffected. Calculating the Unlisted Driver Accident Premium (UDAP): Basic difference $200 × 15 = $3,000 (below the $5,000 cap); Optional difference $100 × 15 = $1,500, but under the exam standard the Optional portion is capped at 2 times the Optional premium payable if listed (2 × $450 = $900), yielding $900; total = $3,000 + $900 = $3,900. (Note: answer based on exam standard of 2 times payable Optional premium; current appendix wording states 2 times paid premium.)

b. ✗ Falls into the trap of omitting the 2–times cap on Optional coverage: directly adding the Optional difference of $100 × 15 = $1,500, forgetting that the Optional portion is subject to a cap of 2 times the Optional premium that would have been payable if listed (2 × $450 = $900).

c. ✗ Falls into the trap of blaming the owner for an unlisted driver's crash: chargeable claims caused by an unlisted driver are recorded against the driver operating the vehicle at the time; the owner's driving record, driver factor, and renewal premium are unaffected.

d. ✗ Falls into the trap of confusing exam and practice standards: $3,700 results from calculating the Optional cap as 2 times the actual paid Optional premium ($350 × 2 = $700), whereas the exam standard explicitly specifies capping at 2 times the Optional premium that would have been payable if listed ($450 × 2 = $900).

82′ answer c

a. ✗ Falls into the trap of assuming UDAP applies without claim payment or in medical emergencies: assessing a UDAP requires that ICBC actually made a claim payment, and medical emergencies are an exempt situation where no UDAP is charged.

b. ✗ Falls into the trap of assessing a surcharge when the premium difference is zero: when the difference between payable premium if listed and actual paid premium is zero or negative (listing would not have raised the premium), no UDAP is charged.

c. ✓ Correct: satisfies all three conditions simultaneously: the policy lacks Unlisted Driver Protection (UDP), an unlisted driver causes an at–fault claim, and ICBC actually makes a claim payment; since the higher–risk cousin's payable premium if listed exceeds the paid premium, the owner must pay a one–time UDAP.

d. ✗ Falls into the trap of confusing DRP with UDAP: a listed principal driver receiving two or more convictions for using an electronic device while driving triggers a Driver Risk Premium (DRP) billed directly to the driver, not a UDAP for an unlisted driver crash.

83 answer b

a. ✗ Falls into the trap of assuming private insurers can package Basic coverage: in BC, a compulsory government auto insurance province, Autoplan Basic is sold exclusively by ICBC; private insurers may sell only excess coverage and cannot package or sell Basic insurance.

b. ✓ Correct: Autoplan Basic must be purchased from ICBC; private insurers may sell only three excess coverages (extended third–party liability, excess underinsured motorist protection, and own damage coverage); extended liability can be bought from either ICBC or a private insurer, but deductibles lower than ICBC's minimum are offered only by private insurers.

c. ✗ Falls into the trap of excluding own damage from private insurer authority: own damage coverage (including collision) is one of the three excess coverages BC private insurers are permitted to sell; it does not have to be purchased exclusively from ICBC.

d. ✗ Falls into the trap of misattributing BCUC functions: the BC Utilities Commission (BCUC) regulates ICBC's Basic insurance rates and enforces the prohibition on cross–subsidization; it does not approve lower optional deductibles for individual policyholders; lower deductibles must be purchased from private insurers.

83′ answer d

a. ✗ Falls into the trap of treating Ontario as a compulsory government province: the three provinces operating compulsory government auto insurance plans with a $200,000 minimum third–party liability limit are BC, Saskatchewan, and Manitoba; Ontario operates under a private insurance system.

b. ✗ Falls into the trap of reversing Quebec's hybrid system: in Quebec's hybrid system, the provincial government covers bodily injury while private insurers cover property damage; the option reverses the two roles.

c. ✗ Falls into the trap of applying the private–province pooling mechanism to government provinces: the Facility Association exists only in private auto insurance provinces; compulsory government provinces like BC, SK, and MB do not use it because virtually all motorists can obtain statutory minimum Basic coverage directly from the government plan.

d. ✓ Correct: BC, Saskatchewan, and Manitoba operate compulsory government insurance systems where Basic coverage includes accident benefits and a minimum of $200,000 in third–party liability; Quebec operates a hybrid system where the provincial government provides bodily injury coverage and private insurers cover property damage.

84 answer c

a. ✗ Falls into the trap of confusing rate class with rate group: the factor that adjusts Basic premium according to vehicle use (pleasure or commercial delivery) is the rate class; rate group adjusts own damage coverage premiums based on vehicle make/model claim frequency and repair costs.

b. ✗ Falls into the trap of reversing territory assignment rules: across the 14 provincial territories and out–of–province Zone Z, passenger cars and motorcycles are assigned based on where they are garaged, whereas taxis and buses are assigned based on the territory in which they are normally operated.

c. ✓ Correct: Basic premium starts from a uniform base premium and is adjusted by three factors: territory, rate class, and driver record; rate class reflects vehicle use across more than 150 categories, with commercial use generally costing more than pleasure use.

d. ✗ Falls into the trap of inventing demographic rating factors: a primary benefit of the ICBC system is that premiums do not use age, gender, or marital status, pricing coverage strictly on driving experience and crash history.

84′ answer b

a. ✗ Falls into the trap of overlooking the immediate registration requirement for heavy commercial vehicles: standard passenger cars have 30 days under settler rules, but commercial vehicles or commercial trailers over 5,000 kg must be registered and licensed immediately.

b. ✓ Correct: under the exam standard, a person moving to BC to take up residency with a vehicle must register, licence, and insure it within 30 days, whereas a heavy commercial vehicle or trailer over 5,000 kg must be registered and licensed immediately. (Note: answer based on exam standard of 30 days for settlers; current Motor Vehicle Act s.21 provides 6 months for touring and 30–day exemptions for non–touring purposes.)

c. ✗ Falls into the trap of applying the current touring exemption to the exam standard for settlers and relaxing commercial vehicle rules: exam standard uniformly require settlers bringing passenger cars to register within 30 days, and commercial vehicles over 5,000 kg must be registered immediately rather than within 30 days.

d. ✗ Falls into the trap of confusing interprovincial and cross–border inspections and misapplying the 7–day mileage timeline: only vehicles brought in from outside Canada require both federal and provincial inspections (vehicles from Alberta require only provincial mechanical and safety inspection), and 7 days is the deadline for submitting odometer proof rather than a registration deadline.

Chapter 13 answers and reasons

85 answer b

a. ✗ Incorrect. Falls into the 'EAB Income Replacement calculation base and payment order trap': Income Replacement is calculated on 90% of after-tax net income rather than gross income, begins on the 8th day after the crash rather than the 1st day, and pays after employer disability plans.

b. ✓ Correct. Under Enhanced Accident Benefits (EAB), Income Replacement is calculated as 90% of after-tax net income (90% × $60,000 = $54,000/year), begins on the 8th day after the crash, and pays after employer disability plans, WorkSafeBC, and EI. (Note: The exam standard tests only the single formula of '90% × net income', whereas current BC regulations take the greater of 90% net income and 75% of average gross weekly earnings.)

c. ✗ Incorrect. Both the percentage and the start date are incorrect, and EAB operates on a no-fault basis for BC residents, meaning Income Replacement is not reduced by the insured's percentage of fault in the accident.

d. ✗ Incorrect. Confuses Permanent Impairment with Income Replacement: A schedule-based lump-sum payment applies to Permanent Impairment, whereas Income Replacement provides ongoing wage loss indemnity during inability to work due to injury and pays after employer plans.

85′ answer d

a. ✗ Incorrect. EAB operates regardless of fault, and individuals aged 65 or older who were employed at the time of the accident are eligible to receive Income Replacement.

b. ✗ Incorrect. Falls into the 'EAB Income Replacement calculation base and payment order trap': Income Replacement is based on 90% of net income, starts on the 8th day, and pays after EI rather than ahead of it.

c. ✗ Incorrect. Confuses Caregiver Benefits with Income Replacement: Caregiver Benefits apply only to injured persons who were unpaid caregivers of children under 16 or persons unable to work at the time of the crash, whereas an employed injured person over 65 receives Income Replacement.

d. ✓ Correct. A BC resident over 65 who was employed at the time of the accident qualifies for Income Replacement regardless of fault, receiving 90% of after-tax net income starting on the 8th day and paying after other wage-loss benefits like EI. (Note: The exam standard uses 90% of net income, while current BC regulations also include a rule taking the greater of that and 75% of average gross weekly earnings.)

86 answer a

a. ✓ Correct. Although BC prohibits most lawsuits for motor vehicle bodily injury and vehicle damage, damage to property other than a vehicle and losses from business interruption are statutory exceptions to the lawsuits limitation and can still be sued for; additionally, for heavy commercial vehicles with a gross vehicle weight exceeding 5,000 kg hauling freight for compensation, Basic Third-Party Liability (TPL) automatically provides $1,000,000.

b. ✗ Incorrect. Mistakenly assumes that BC's lawsuit ban extends to all property: Non-vehicle property and business interruption are actionable exceptions; furthermore, Basic Vehicle Damage (BVD) covers only the insured vehicle itself and explicitly excludes business interruption.

c. ✗ Incorrect. Confuses heavy commercial vehicles with dangerous goods transport vehicles: Heavy commercial vehicles over 5,000 kg carry an automatic limit of $1,000,000, whereas only vehicles transporting dangerous goods (such as explosives or toxic substances) receive an automatic $2,000,000.

d. ✗ Incorrect. Business interruption is excluded from BVD, but it is explicitly listed among the six exceptions to the Third-Party Liability (TPL) lawsuit limitation, and the commercial truck's Basic TPL limit is $1,000,000 rather than the standard vehicle limit of $200,000.

86′ answer c

a. ✗ Incorrect. Overlooks TPL exclusions: While a third party's building falls within the non–vehicle property lawsuit exception, property owned or rented by the insured (such as one's own house or garage) is explicitly excluded under TPL.

b. ✗ Incorrect. Towing an unlicensed trailer that requires a licence is explicitly excluded under TPL; moreover, damaging one's own vehicle by oneself never triggers the statutory provision, which applies strictly to uninsured or hit–and–run third–party drivers.

c. ✓ Correct. Third–Party Liability (TPL) explicitly excludes property owned or rented by the insured (such as the insured's own house) and towing an unlicensed trailer that requires a licence.

d. ✗ Incorrect. The standard Basic TPL limit is $200,000 rather than $1,000,000, and both owned property and illegally towing an unlicensed trailer are on the TPL exclusion list.

87 answer b

a. ✗ Incorrect. Falls into the 'all–or–nothing or full–payout misconception for Basic Vehicle Damage': Basic Vehicle Damage (BVD) does not deny all coverage merely because the insured carries fault; rather, it pays in proportion to the percentage the insured is not responsible for (60%).

b. ✓ Correct. Basic Vehicle Damage (BVD) pays the percentage the insured is not responsible for (60% × $15,000 = $9,000); her at–fault share of 40% ($6,000) is paid by optional Collision coverage, and she only pays 40% of the Collision deductible matching her fault percentage (40% × $500 = $200).

c. ✗ Incorrect. BVD is reduced by the insured's at–fault percentage and will not pay the 40% at–fault share; additionally, the $750 deductible belongs to the Statutory Uninsured/Unidentified Motorist Provision for non–vehicle property damaged by hit–and–run drivers and is unrelated to BVD.

d. ✗ Incorrect. Reverses the BVD payout percentage to the at–fault percentage, and vehicle damage lawsuits are barred between two vehicles colliding on a BC highway, so the claim is not made against the other driver's Third–Party Liability (TPL) but paid by her own BVD for the 60% not at fault.

87′ answer a

a. ✓ Correct. An off–highway collision must involve at least two licensed standard vehicles (or licensed trailers) for Basic Vehicle Damage (BVD) to apply; when colliding with non–standard vehicles like tractors or golf carts, or with pedestrians and cyclists, BVD does not apply, requiring optional Collision to repair the car even if 0% at fault.

b. ✗ Incorrect. Falls into the 'all–or–nothing or full–payout misconception for Basic Vehicle Damage': Overlooks BVD restrictions on off–highway crashes; in an off–highway collision with a non–standard vehicle (a tractor), BVD does not apply even with 0% fault.

c. ✗ Incorrect. Confuses Inverse Liability with off–highway collisions: Inverse Liability applies to Canadian or U.S. provincial or state jurisdictions where vehicle damage claims are barred by law, not off–highway forestry lands in BC.

d. ✗ Incorrect. The Statutory Uninsured/Unidentified Motorist Provision covers only non–vehicle property (buildings, fences, bicycles) on BC public roads, never the insured's own motor vehicle damage.

88 answer c

a. ✗ Incorrect. Basic Vehicle Damage (BVD) covers only damage to the vehicle itself on BC public roads (up to $200,000), covering neither bodily injury nor out-of-province accidents.

b. ✗ Incorrect. Inverse Liability covers only damage to the insured vehicle itself and applies strictly when laws in the jurisdiction (or the at-fault driver's residence) bar vehicle damage claims, without covering bodily injury shortfalls.

c. ✓ Correct. Underinsured Motorist Protection (UMP) provides coverage up to $1,000,000 per person to compensate for bodily injury shortfalls when the insured or household family member is not entitled to EAB and the at-fault driver's Third-Party Liability (TPL) is insufficient to satisfy the adjudicated damages. (Note: The exam standard explicitly includes accidents in out-of-province tort jurisdictions where the insured is struck by an underinsured driver as a UMP trigger; however, under current BC regulations, BC residents are entitled to EAB throughout Canada and the US, so UMP is rarely triggered in practice.)

d. ✗ Incorrect. Falls into the 'conflating UMP with the Statutory Uninsured Motorist Provision' trap: The Statutory Uninsured/Unidentified Motorist Provision covers only non-vehicle property damaged on BC highways (up to $200,000) and does not pay out-of-province bodily injury shortfalls.

88′ answer b

a. ✗ Incorrect. The belief that UMP applies only out-of-province is a common misconception: In certain off-highway accidents within BC where an injured pedestrian or cyclist is not entitled to EAB and can legally sue the at-fault driver, UMP also responds if the driver is underinsured.

b. ✓ Correct. Underinsured Motorist Protection (UMP) pays up to $1,000,000 per person and requires two concurrent conditions: (1) The injured insured or household family member is not entitled to Enhanced Accident Benefits (EAB); (2) The at-fault driver's Third-Party Liability (TPL) limit is insufficient to pay the adjudicated damages. (Note: The exam standard considers accidents in out-of-province tort jurisdictions eligible for UMP; under current BC rules, BC residents hold EAB coverage across Canada and the US, making UMP triggers extremely rare.)

c. ✗ Incorrect. Falls into the 'conflating UMP with the Statutory Uninsured Motorist Provision' trap: The provision paying $200,000 for non-vehicle property on BC highways is the Statutory Uninsured/Unidentified Motorist Provision, not UMP.

d. ✗ Incorrect. The primary prerequisite for UMP is not being entitled to EAB, and UMP does not apply where motor vehicle lawsuits are prohibited (including standard roadway collisions in BC).

89 answer d

a. ✗ Incorrect. Falls into the 'confusing boundaries between Collision and Comprehensive' trap: A flying or falling object striking the vehicle falls under Comprehensive, but striking an object already lying on the roadway (such as a rock or fallen tree) constitutes a collision with a road surface object and falls under Collision.

b. ✗ Incorrect. Specified Perils covers only directly named perils such as fire, theft, windstorm, and hail, but does not cover collision damage from striking road obstacles while driving.

c. ✗ Incorrect. Basic Vehicle Damage (BVD) applies only to crashes involving specific vehicles; a single-vehicle impact with a fallen tree, pothole, or guardrail on the road does not constitute a collision with another vehicle and must be claimed under optional Collision.

d. ✓ Correct. Collision covers impact with another vehicle, person, or object, or rollover, explicitly including impacts with the road surface, potholes, cracks, objects lying on the road (such as rocks or already fallen trees), guardrails, and bridge piers.

89′ answer b

a. ✗ Incorrect. Falls into the 'confusing boundaries between Collision and Comprehensive' trap: Completely reverses the two coverage scopes; hitting an animal (living or dead) and windshield damage fall under Comprehensive, whereas driving into a pothole falls under Collision.

b. ✓ Correct. Specified Perils covers listed perils like fire, theft, lightning, windstorm, hail, rising water, earthquake, and explosion, but explicitly excludes vandalism, malicious mischief, animal impact, and windshields; these require Comprehensive coverage, and claims under Comprehensive do not affect the driver factor.

c. ✗ Incorrect. While Comprehensive claims indeed do not affect the driver factor, personal property inside the vehicle and vehicle theft by family members or employees are common exclusions under both Collision and Comprehensive.

d. ✗ Incorrect. Reverses the two rating categories: Most private passenger and light commercial vehicles use rate groups, whereas trailers, motorhomes, motorcycles, commercial vehicles over 5,000 kg, snowmobiles, golf carts, and custom vehicles use declared value.

90 answer a

a. ✓ Correct. Persons engaged in buying, selling, repairing, maintaining, storing, servicing, or valeting motor vehicles (auto repair / garage personnel) are excluded from the owner's Basic coverage even with the owner's permission, and must purchase a separate garage policy; additionally, Basic territorial limits are restricted to Canada, the United States, and vessels between their ports, providing no coverage once in Mexico.

b. ✗ Incorrect. Falls into the 'absolutist statements regarding Inverse Liability and garage personnel' trap: Auto repair personnel are a statutory exception to the rule that licensed drivers operating with owner permission are covered; furthermore, territorial limits do not include Mexico.

c. ✗ Incorrect. Auto mechanics are not covered under the vehicle owner's policy; meanwhile, the entire United States (including vessels between Canada and US ports) is automatically within Basic territorial limits without requiring an additional endorsement.

d. ✗ Incorrect. Basic territorial limits explicitly include Canada, the United States, and vessels travelling between ports in Canada and the United States.

90′ answer d

a. ✗ Incorrect. Falls into the 'absolutist statements regarding Inverse Liability and garage personnel' trap: Valet parking belongs to the vehicle storage and servicing industry; even with a valid driver's licence and owner permission, valet drivers are excluded from the owner's Basic coverage.

b. ✗ Incorrect. Basic territorial limits are restricted to Canada, the United States, and vessels between Canada and US ports; driving within Mexico is not covered.

c. ✗ Incorrect. Individuals or businesses engaged in buying or selling motor vehicles are excluded from the owner's Basic policy even with the owner's consent, and must rely on their own garage policy.

d. ✓ Correct. Insured persons under Basic coverage include the owner or lessee, drivers named on the policy, and any person holding a valid licence who drives with the owner's or lessee's consent (except auto repair and valet personnel); vessels travelling between Canadian and U.S. ports are also within the coverage territory.

91 answer c

a. ✗ Incorrect. The Statutory Uninsured/Unidentified Motorist Provision from the Insurance (Vehicle) Act is open to all BC residents, providing coverage even without owning a car, holding a policy, or having a BC driver's licence.

b. ✗ Incorrect. Falls into the 'conflating UMP with the Statutory Uninsured Motorist Provision' trap: UMP covers bodily injury judgment shortfalls when ineligible for EAB and the at-fault driver has inadequate insurance, and does not cover non-vehicle property damage.

c. ✓ Correct. The Statutory Uninsured/Unidentified Motorist Provision, operating independently of Basic coverage, automatically compensates all BC residents for non-vehicle property (buildings, fences, bicycles) damaged by uninsured or hit-and-run drivers on BC highways up to $200,000; because it was caused by a hit-and-run driver, the claimant must first bear a $750 deductible.

d. ✗ Incorrect. Inverse Liability covers only damage to the insured motor vehicle itself, and applies strictly when the crash occurs in or the at-fault driver resides in a Canadian or U.S. jurisdiction prohibiting claims, offering no coverage for fences and bicycles.

91′ answer b

a. ✗ Incorrect. Falls into the 'absolutist statements regarding Inverse Liability and garage personnel' trap: Inverse Liability applies whether the crash occurred in or the at-fault driver resides in a Canadian or U.S. jurisdiction that bars such vehicle damage claims (even if the crash happened elsewhere); furthermore, Basic coverage pays the at-fault driver's proportion of the Collision deductible.

b. ✓ Correct. When an accident occurs in or the at-fault driver resides in a Canadian or U.S. jurisdiction where laws prohibit claims for such vehicle damage, Inverse Liability pays the percentage the other driver is responsible for (75%); the insured's own 25% share is covered by optional Collision, and Basic coverage pays the other driver's fault percentage (75%) of the Collision deductible.

c. ✗ Incorrect. Reverses the Inverse Liability payout percentage (it pays the other driver's 75% fault share), and incorrectly applies the statutory uninsured motorist provision and $750 deductible, which apply exclusively to non-vehicle property.

d. ✗ Incorrect. Confuses Underinsured Motorist Protection (UMP, $1,000,000 limit, requires no EAB) with Inverse Liability (which pays vehicle damage according to the other driver's fault percentage).

Chapter 14 answers and reasons

92 answer b

a. ✗ Incorrect. Falls into the 'treating co-residing relatives as occasional borrowers' trap: Although up to 12 days per year is the general limit for Unlisted Driver Protection (UDP), household family members are already among the four exclusions and do not qualify for even a single day.

b. ✓ Correct. Household or family members and employees of the principal operator, registered owner, or lessee are among the four categories explicitly excluded from Unlisted Driver Protection (UDP); if they cause an at-fault crash in the insured vehicle while unlisted, the owner must pay the Unlisted Driver Accident Premium (UDAP).

c. ✗ Incorrect. Misapplies the rule where eligible unlisted drivers require a fee upon renewal after an accident to household members: Household members are not protected by UDP from the outset, so the UDAP applies to the very first crash.

d. ✗ Incorrect. Generalizes from a single condition: Holding a valid driver's licence and having no at-fault crashes in the insured vehicle within five years since September 1, 2019 only satisfies the other two exclusion criteria, but cannot override the household member exclusion.

92′ answer d

a. ✗ Incorrect. Fabricates a rule: Unlisted Driver Protection (UDP) has no restriction excluding daytime weekday driving; protection is denied because the driver is the owner's employee.
b. ✗ Incorrect. Contradicts the rule: New basic auto policies automatically include UDP at no additional premium, without requiring an extra purchase in advance.
c. ✗ Incorrect. Confuses an upper limit with a minimum requirement: 12 days per year is the maximum allowable driving limit (driving more than 12 days results in exclusion), not a minimum threshold.
d. ✓ Correct. Household family members and employees of the registered owner, lessee, or principal operator are among the four exclusions under UDP, receiving no protection under UDP even if driving only one day a year.

93 answer a

a. ✓ Correct. Automatic Loss of Use, which is automatically included with Comprehensive or Specified Perils coverage, is triggered solely by theft of the entire vehicle; it does not pay if only parts such as tires, wheels, or the engine are stolen.
b. ✗ Incorrect. Falls into the 'mistaking theft of vehicle parts for theft of the entire vehicle' trap: Waiting 72 hours after reporting to police applies only to theft of the entire vehicle, whereas stealing only wheels never triggers Automatic Loss of Use.
c. ✗ Incorrect. Confuses Optional Loss of Use with Automatic Loss of Use: Commencing immediately is the rule for Optional Loss of Use; moreover, Automatic Loss of Use neither covers theft of parts nor carries a deductible.
d. ✗ Incorrect. Misapplies coverage terms: Commencing immediately once a loss exceeds the own–damage deductible is a condition of optional Loss of Use, which this vehicle owner did not purchase.

93′ answer c

a. ✗ Incorrect. Confuses commencement times: Starting immediately after an incident is the rule for optional Loss of Use, not Automatic Loss of Use.
b. ✗ Incorrect. Confuses figures: 12 hours is the expense window for Destination Assistance in the seven–item package, not the waiting period for Automatic Loss of Use.
c. ✓ Correct. Purchasing Comprehensive or Specified Perils automatically provides Automatic Loss of Use, which begins 72 hours after theft of the entire vehicle is reported to the police and carries no deductible.
d. ✗ Incorrect. Overlooks the coverage scope: Automatic Loss of Use is automatically included with either Comprehensive or Specified Perils coverage.

94 answer b

a. ✗ Incorrect. Falls into the 'confusing package inclusions and exclusions' trap: Destination Assistance explicitly excludes renting a substitute vehicle, and roadside emergency assistance explicitly excludes replacement parts and consumables such as batteries, tires, and fuel.
b. ✓ Correct. Destination Assistance under the seven–item package pays for transportation to the original destination (such as a taxi, excluding rental cars) within 12 hours when the vehicle is disabled by collision, theft, or vandalism; roadside emergency assistance reimburses service fees (such as a battery boost) up to twice per policy term, but excludes the cost of replacement parts like a new battery.
c. ✗ Incorrect. Narrows triggering perils and misstates limits: Destination Assistance applies when disabled by collision, theft, or vandalism, and roadside emergency assistance allows up to twice per policy term.
d. ✗ Incorrect. Confuses the boundaries of the two packages: Destination Assistance, theft deductible waiver, and roadside emergency assistance are the three additional features of the seven–item package, not part of the four–item package.

94′ answer a

a. ✓ Correct. Under the four–item package, non–BC residents are excluded from rental–vehicle coverage and vehicle travel protection.

b. ✗ Incorrect. Excludes covered items instead: Non–residents are excluded from rental–vehicle and vehicle travel protection, not increased loss of use or locks and keys.

c. ✗ Incorrect. Falls into the 'confusing package inclusions and exclusions' trap: Destination Assistance and theft deductible waiver are features added by the seven–item package, not part of the four–item package.

d. ✗ Incorrect. Confuses standalone optional coverages with package options: Income Top–Up and Off–Highway TPL are standalone optional coverages rather than package components, and non–residents who plate and insure a vehicle in BC are permitted to purchase Income Top–Up.

95 answer c

a. ✗ Incorrect. Confuses settlement methods with exclusions: Paying full replacement cost with inflation adjustments applies to New Vehicle Replacement Plus or Replacement–Cost Coverage, and this overlooks the third–model–year fire exclusion under Limited–Depreciation Coverage.

b. ✗ Incorrect. Falls into the 'model year and third–year fire and theft trap in new vehicle coverages': The 50% total–loss threshold belongs to New Vehicle Replacement Plus for first and second model years, and Limited–Depreciation does not cover total loss by fire if effective in the third model year.

c. ✓ Correct. Although Limited–Depreciation Coverage can insure vehicles up to three model years old, if coverage takes effect when the vehicle is in its third model year, total loss caused by fire, theft, vandalism, or malicious mischief is excluded (settling instead under the underlying own–damage policy at actual cash value).

d. ✗ Incorrect. Reverses model year limits: New Vehicle Replacement Plus is limited to the first and second model years, whereas the third model year remains eligible for Replacement–Cost or Limited–Depreciation Coverage.

95′ answer b

a. ✗ Incorrect. Wrongly disqualifies light commercial vehicles: Light commercial vehicles weighing 5,500 kg GVW or less qualify for new vehicle coverages; only motorhomes are excluded.

b. ✓ Correct. New Vehicle Replacement Plus is available for private passenger cars or light commercial vehicles weighing 5,500 kg GVW or less in their first or second model years that carry Collision and Comprehensive, treating the vehicle as a total loss if repair estimates exceed 50% of market value; however, motorhomes are strictly excluded.

c. ✗ Incorrect. Falls into the 'model year and third–year fire and theft trap in new vehicle coverages': Motorhomes cannot be covered, and a threshold reaching up to 90% of market value is a feature of Replacement–Cost Coverage, not the 50% threshold of New Vehicle Replacement Plus.

d. ✗ Incorrect. Errs on both eligibility and weight limits: The gross vehicle weight limit for light commercial vehicles is 5,500 kg (making 4,800 kg eligible), whereas motorhomes are entirely ineligible.

96 answer d

a. ✗ Incorrect. Confuses limits and deductibles: Applies the $5,000,000 private passenger/light commercial cap and the $750 Hit and Run deductible to commercial vehicles and Off–Highway Third Party Liability.

b. ✗ Incorrect. The first clause is correct, but Off–Highway Third Party Liability across all five limit options carries no deductible.

c. ✗ Incorrect. $2,000,000 is the baseline basic limit for heavy commercial vehicles transporting dangerous goods, but Extended Third Party Liability can increase it up to $10,000,000.

d. ✓ Correct. Heavy commercial vehicles hauling dangerous goods can increase Third–Party Liability from the basic $2,000,000 limit up to $10,000,000 through Extended Third Party Liability; Off–Highway Third Party Liability for licensed non–standard vehicles off–highway offers five limits from $200,000 to $5,000,000 and carries no deductible.

96′ answer b

a. ✗ Incorrect. Fabricates a prerequisite: All BC residents can purchase Income Top-Up regardless of whether they own a vehicle or hold a basic auto policy.

b. ✓ Correct. Income Top-Up, like Specialized Coverages, is issued as a separate standalone policy available to all BC residents, allowing purchases of up to 10 tiers of $10,000 each for a maximum increase of $100,000.

c. ✗ Incorrect. Errs on both issuance method and limits: Income Top-Up is issued as a separate policy and is capped at 10 tiers of $10,000 each for a maximum of $100,000, not $200,000.

d. ✗ Incorrect. Fabricates a reduction rule for non-vehicle owners: BC residents who do not own a vehicle are equally entitled to purchase the full 10 tiers totaling $100,000.

97 answer a

a. ✓ Correct. A temporary operation binder (APV38) is a specialized coverage providing 1 to 31 days of insurance for BC residents or organizations driving a newly purchased vehicle back to BC from elsewhere in continental Canada or the US; it covers the vehicle in transit but does not automatically confer operating authority, so local permits may still be required.

b. ✗ Incorrect. Errs on duration and legal effect: The coverage term is 1 to 31 days (not 60 days), and it serves only as evidence of insurance without replacing road-use operating permits in other jurisdictions.

c. ✗ Incorrect. Overlooks an exam keypoint: In BC auto insurance, an APV38 binder carries a specific regulatory meaning that differs from the general binder (interim receipt) used in property insurance contracts.

d. ✗ Incorrect. Confuses two specialized coverages: Operating or crossing a public highway with an unlicensed farm tractor requires an Unlicensed Farm Tractor Certificate carried in the vehicle, not an APV38 binder.

97′ answer c

a. ✗ Incorrect. Confuses collector vehicles with vintage motor vehicles: Use strictly for 'pleasure use' is the rule for collector vehicles (at least 25 years old or 15 years for limited production); vintage motor vehicles (at least 30 years old) are restricted to designated events and may not be used for daily errands or casual drives.

b. ✗ Incorrect. Overlooks lighting safety restrictions: If a vintage motor vehicle does not meet statutory lighting standards, it may be operated during daylight hours only.

c. ✓ Correct. A Vintage Motor Vehicle Certificate requires a vehicle to be at least 30 years old, carry vintage plates, and be driven only to or from inspection facilities, repair shops, parades, exhibitions, car club activities, weddings, graduations, or public ceremonies.

d. ✗ Incorrect. Confuses a Vintage Certificate with a Storage Policy, and even a Storage Policy explicitly requires that the vehicle not be parked on a public highway.

98 answer d

a. ✗ Incorrect. Falls into the 'reversing breach consequences or expecting criminal charges for impaired driving' trap: Upon a breach of coverage conditions, the insurer still pays innocent third parties and will not abandon third-party victims.

b. ✗ Incorrect. Fabricates a doubled deductible rule: The consequence of a breach of coverage conditions is denial of the breaching driver's own-damage claim, not a doubled deductible.

c. ✗ Incorrect. Contradicts the exam standard: Operating without a valid driver's licence (including an expired licence) is explicitly tested as a breach of coverage conditions on the exam (Note: Regardless of subtle statutory distinctions or 2026 licence restriction amendments, candidates must answer that driving without a valid licence constitutes a breach).

d. ✓ Correct. Under the exam standard, driving without a valid driver's licence is a breach of coverage conditions (Note: Tested strictly as no valid licence equals breach); the standard three-step consequence of a breach is paying innocent third parties, denying the breaching driver's own vehicle claim, and seeking reimbursement from the driver for payments made to third parties.

98′ answer b

a. ✗ Incorrect. Falls into the 'reversing breach consequences or expecting criminal charges for impaired driving' trap: As long as the driver is intoxicated to the point of being incapable of proper vehicle control, the insurer denies her own-damage claim even if police lay no criminal charges.

b. ✓ Correct. Impaired driving resulting in being incapable of proper control of the vehicle constitutes a breach of coverage conditions (Note: Exam list questions reference a blood alcohol level over 0.05, whereas current BC Regulation s.55(8)(a) and exam scenario questions use the incapable of proper control standard), allowing the insurer to deny own-damage claims without requiring criminal charges or a conviction.

c. ✗ Incorrect. Fabricates a 50% payout rule: Upon a breach of coverage conditions, the breaching driver's own-damage claim is denied entirely, and no partial payment is made simply because third-party property was unharmed.

d. ✗ Incorrect. Combines two independent breaches: Participating in a race or speed test and impaired driving each independently constitute a breach of coverage conditions without needing to occur concurrently.

Chapter 15 answers and reasons

99 answer b

a. ✗ Incorrect. Falls into the 'confusing regulatory bodies and their distinct functions' trap: Regulation of insurance intermediaries falls strictly under provincial jurisdiction, and federal regulators have no authority over general insurance brokers in the provinces.

b. ✓ Correct. In British Columbia, Alberta, Saskatchewan, and Manitoba, specific authority over licensing, complaints, disciplinary matters, and enacting codes of conduct or by-laws has been delegated to independent Insurance Councils (Note: Tested under the exam standard where Council decisions are generally appealed to the Superintendent; current BC practice is governed by BCFSA under the Financial Institutions Act, with appeals heard by the Financial Services Tribunal).

c. ✗ Incorrect. Falls into the 'confusing regulatory bodies and their distinct functions' trap: Provincial brokers' professional associations establish voluntary professional standards and administer licensing examinations, but are not statutory regulators and have no legal authority to issue or revoke licences.

d. ✗ Incorrect. Falls into the 'confusing regulatory bodies and their distinct functions' trap: The Registered Insurance Brokers of Ontario (RIBO) is a self-regulatory body established under Ontario's 1981 statute and has no interprovincial jurisdiction over licensees in British Columbia.

99′ answer d

a. ✗ Incorrect. Falls into the 'confusing regulatory bodies and their distinct functions' trap: A professional association is not a government regulatory body and has no authority to hear appeals against administrative decisions of the Insurance Council.

b. ✗ Incorrect. Falls into the 'confusing regulatory bodies and their distinct functions' trap: The Canadian Council of Insurance Regulators (CCIR) coordinates interprovincial policy and published the three conflict-of-interest principles, but is not a statutory tribunal for hearing individual disciplinary appeals.

c. ✗ Incorrect. Falls into the 'confusing regulatory bodies and their distinct functions' trap: Insurance intermediary regulation is a provincial matter and does not fall under the federal Department of Finance.

d. ✓ Correct. Under the exam standard, the provincial Superintendent of Financial Institutions is responsible for administering the Insurance Act, and decisions of the Insurance Council may generally be appealed to the Superintendent (Note: Answered under the exam standard; under current BC law, Council decisions are appealed to the Financial Services Tribunal pursuant to the Financial Institutions Act).

100 answer c

a. ✗ Not the answer. This statement is accurate, so it is not the incorrect statement the question asks for: Under the exam standard, a Level I licensee is restricted to working inside the brokerage office and must be supervised by a Level II or Level III licensee at all times.

b. ✗ Not the answer. This statement is accurate, so it is not the incorrect statement the question asks for: A Level II licensee may transact all general insurance business both inside and outside the brokerage office, but remains under the supervision of a Level III licensee.

c. ✓ Correct (this is the incorrect statement). Falls into the 'confusing licence levels and upgrading prerequisites' trap: Step licensing requires mastering additional knowledge and passing examinations for each higher level rather than upgrading automatically based on industry tenure; furthermore, only a Level III licensee is permitted to own or manage a brokerage (Note: Answered under the exam standard; current BC Council Rules Rule 6(1) allows Level 1 licensees to conduct business outside the office upon completing the Council Rules Course, subject to fixed-salary minimums).

d. ✗ Not the answer. This statement is accurate, so it is not the incorrect statement the question asks for: Within BC's three-level licensing system, each step requires greater technical knowledge, and only a Level III licensee is permitted to own or manage a general insurance brokerage.

100′ answer a

a. ✓ Correct. Under step licensing rules, only a Level III licensee is permitted to own or manage an insurance brokerage, and upgrading requires meeting higher knowledge standards through examination rather than relying solely on years of sales experience.

b. ✗ Incorrect. Falls into the 'confusing licence levels and upgrading prerequisites' trap: Although a Level II licensee may transact business both inside and outside the office, they remain supervised by a Level III licensee and are prohibited from owning or managing a brokerage.

c. ✗ Incorrect. Falls into the 'confusing licence levels and upgrading prerequisites' trap: Upgrading under step licensing depends on demonstrating additional professional knowledge through approved examinations, rather than automatic promotion based on years of industry tenure.

d. ✗ Incorrect. Falls into the 'confusing licence levels and upgrading prerequisites' trap: Regardless of whether a brokerage restricts its operations to personal lines or commercial lines, a Level II licensee cannot own or manage the brokerage.

101 answer a

a. ✓ Correct. Under the exam standard, a broker operating interprovincially must hold a licence in every province where business is transacted; furthermore, when an insurer covers property in a province, the policy must be countersigned by a broker licensed in that province who receives a share of the commission (Note: Answered under the exam standard; current BC statutory law no longer contains countersigning commission-sharing clauses).

b. ✗ Incorrect. Falls into the 'confusing licence levels and upgrading prerequisites' trap: Although a BC licence is continuous with an annual filing requirement, licensing remains strictly provincial and does not grant automatic reciprocal operating authority across other provinces.

c. ✗ Incorrect. A broker must be licensed in every province where business is conducted, and insuring out-of-province property is subject to statutory countersigning requirements by locally licensed brokers, which cannot be bypassed simply because the client's head office is located in BC.

d. ✗ Incorrect. A sponsor must be the employing brokerage or insurer (or the insurer represented if self-employed), not a professional association; furthermore, three years is the licence term in Nova Scotia rather than an interprovincial binder term.

101′ answer c

a. ✗ Incorrect. A self-employed applicant must be sponsored by the insurer they represent rather than a brokers' association; additionally, a three-year licence term applies in Nova Scotia, not British Columbia.

b. ✗ Incorrect. While licence terms are commonly one year (such as in Ontario), rules are not uniform nationwide: BC licences are continuous with an annual filing requirement, whereas Nova Scotia issues licences for three years.

c. ✓ Correct. Employed applicants are sponsored by their employing brokerage or insurer, while self-employed applicants are sponsored by the insurer they represent; licences in British Columbia are continuous with an annual filing requirement (Note: Answered under the exam standard; current BC Council Rules require annual fee payment and confirmation of continuing education and E&O, with automatic cancellation after 60 days of default).

d. ✗ Incorrect. Licensees may not sell classes of insurance outside their licensed authority; for example, selling travel insurance in Ontario requires obtaining a separate licence.

102 answer d

a. ✗ Incorrect. Falls into the 'applying current regulatory practice instead of exam standards' trap: Refunding part of the stated policy premium in cash to an insured as an inducement to purchase is the most classic form of rebating, which violates the Insurance Act under the exam standard and constitutes grounds for licence revocation.

b. ✗ Incorrect. Falls into the 'failing to distinguish illegal rebating from authorized discounts and promotional giveaways' trap: Rebating is not limited to cash; offering something of value other than money (such as a complimentary one-year fitness membership) as an inducement to transfer policies constitutes illegal rebating.

c. ✗ Incorrect. A broker secretly crediting a portion of commission back to the insured to secure business effectively refunds part of the stated policy premium as an inducement, constituting illegal rebating.

d. ✓ Correct. Promotional giveaways of minimal value (such as pens, coffee mugs, or caps) that are too small to constitute an inducement are not rebates; likewise, premium discounts authorized directly by the insurer and reflected in the policy premium are not improper rebates, so neither action leads to revocation (Note: Answered under the exam standard where rebating is strictly prohibited and grounds for revocation; current BC law under FIA s. 79 permits rebating if below 25% of the premium).

102′ answer b

a. ✗ Incorrect. Falls into the 'applying current regulatory practice instead of exam standards' trap: Permitting rebates below 25% of premium is a provision of BC's current Financial Products Disclosure Regulation, but the exam standard strictly classifies any cash premium refund as illegal rebating.

b. ✓ Correct. Under the exam standard, refunding a portion of the stated policy premium in cash as an inducement to purchase constitutes rebating in violation of the Insurance Act and is one of the six statutory grounds for licence revocation (Note: Answered under the exam standard; current BC law under FIA s. 79 allows rebates below 25% of premium).

c. ✗ Incorrect. Falls into the 'failing to distinguish illegal rebating from authorized discounts and promotional giveaways' trap: Only promotional giveaways of minimal value (such as pens, mugs, or hats) that cannot induce a purchase are exempt from rebating; cash refunds specifically offered to match competing quotes clearly constitute an inducement.

d. ✗ Incorrect. Falls into the reverse trap of mistaking statutory grounds for voluntary association rules: Rebating violates the Insurance Act and serves as statutory grounds for licence revocation, rather than being merely a breach of voluntary association standards.

103 answer b

a. ✗ Incorrect. Tied selling, charging unconscionable fees, and failing to disclose sales incentives that work to the client's detriment are breaches of the Code of Conduct under advising clients and fee disclosure, rather than forms of misappropriating trust funds.

b. ✓ Correct. Brokers hold client premiums in trust, and using trust funds is a severe violation; misappropriation of trust funds explicitly encompasses three specific behaviours: poor financial control, willful misstatement of the trust position, and embezzlement of client trust funds.

c. ✗ Incorrect. Placing risks improperly with unlicensed insurers and rebating are separate independent grounds for revocation or statutory offences, not forms of trust fund misappropriation.

d. ✗ Incorrect. Negotiating ordinary credit terms in an agency agreement or managing earned commission income does not constitute misappropriation of client trust premiums.

103′ answer a

a. ✓ Correct. One of the statutory grounds for revocation is unreasonably failing to remit collected premiums to the insurer past the deadline specified in the agency agreement signed between the brokerage and the insurer.

b. ✗ Incorrect. The 2006 CCIR position paper sets out the three fundamental principles for managing conflicts of interest (client priority, conflict disclosure, and product suitability), but does not establish premium remittance deadlines.

c. ✗ Incorrect. A professional association's personal pledge is an ethical commitment to treat clients, insurers, and peers fairly and professionally, not a contract setting premium remittance terms.

d. ✗ Incorrect. Privacy legislation governs the collection and safeguarding of personal confidential information, having no bearing on premium accounting settlement schedules.

104 answer c

a. ✗ Incorrect. The Code of Conduct explicitly dictates that brokers must remain sensitive to the limitations of their competence and must never learn as they go when a risk exceeds their capability.

b. ✗ Incorrect. A broker lacking a clear understanding of coverage principles and solid knowledge of operational procedures is not competent, and binding coverage blindly risks creating unreasonable gaps in protection.

c. ✓ Correct. Under the Code of Conduct principle of competence, when a requested risk exceeds a broker's personal knowledge and capabilities, the broker must decline to act and advise the client to consult a broker possessing the requisite competence, rather than learning as they go.

d. ✗ Incorrect. Violates the principle of confidentiality: Client information may only be shared for the purpose for which it was originally provided and within authorized limits, and confidential files must not be disclosed to competing brokerages without consent.

104′ answer d

a. ✗ Incorrect. Under the Code of Conduct principle of integrity, conviction of a criminal offence is deemed a failure of professional integrity even if the crime is entirely unrelated to brokerage work.

b. ✗ Incorrect. Under the principle of confidentiality, a broker must not disclose one client's confidential details to another, and the duty of confidentiality continues after the broker no longer acts for the client.

c. ✗ Incorrect. Taking advantage of a client's inexperience, lack of education, youth, or lack of sophistication is a direct breach of the principle of integrity.

d. ✓ Correct. Under the Code of Conduct principle of confidentiality, a broker must never disclose one client's confidential information to another, and this duty of confidentiality continues even after the agency relationship with that client has terminated.

105 answer a

a. ✓ Correct. Under the Code of Conduct principle of fee disclosure, any fee charged on an individual policy above the insurer's premium must be explained clearly in writing in advance to the insured, detailing both the amount and the reason; fees charged without a stated reason are deemed unconscionable.

b. ✗ Incorrect. Conditioning the issuance of an automobile policy on the purchase of a homeowner policy is a classic example of tied selling, which brokers are strictly forbidden from participating in or facilitating under the principle of advising clients.

c. ✗ Incorrect. Falls into the 'mistaking association disciplinary action for statutory licence revocation' trap: Professional association standards sit higher than legal requirements; failing to meet association standards may result in termination of membership, but an association cannot revoke a provincial licence.

d. ✗ Incorrect. Under the principle of advising clients, failing to inform a client that a policy contains a warranty that serves as a condition of coverage is a classic example of substandard professional guidance.

105′ answer b

a. ✗ Incorrect. Falls into the 'mistaking association disciplinary action for statutory licence revocation' trap: Insurer incentives must be disclosed if they influence recommendations to the client's detriment, and breaching association ethical codes results in termination of membership rather than licence revocation.

b. ✓ Correct. Under the exam standard, any incentive or bonus received by a broker for placing business with an insurer must be disclosed if it is a factor in recommending that insurer to the client's detriment; furthermore, breaching association standards that exceed statutory minimums results in termination of membership rather than licence revocation (Note: Answered under the exam standard; current BC Financial Products Disclosure Regulation requires brokers to disclose whether they receive commissions when offering products, without requiring client detriment).

c. ✗ Incorrect. Tied selling is strictly prohibited in all circumstances, and service fees charged without a justifiable reason are deemed unconscionable.

d. ✗ Incorrect. Under the Code of Conduct principle of maintaining professional integrity, a broker has an affirmative duty to report to the appropriate regulatory body when someone is likely to suffer serious harm from an apparent violation of insurance laws.