DUMPSARENA

Principles and Practice of Insurance

IIC C11

Version Demo

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QUESTION NO: 1

[Claims]

A telephone adjuster receives notice of a water-damage claim. Before making a coverage decision, which two actions are appropriate? Select two.

A. Confirm that the policy was in force on the date of loss

B. Promise that the claim will be paid in full

C. Obtain facts about the cause and extent of the damage

D. Direct the insured to discard all damaged property immediately

ANSWER: A C

Explanation:

Confirm the policy was in force on the date of loss and **obtain facts about the cause and extent of the damage** are appropriate initial actions. A coverage decision requires the adjuster to establish the relevant policy period, applicable wording, cause of loss, damaged property, and available evidence.

The adjuster should not promise payment before the investigation is complete, and should not direct the insured to discard damaged property that may be needed to establish the cause or amount of loss. The insured should take reasonable steps to protect property from further damage while preserving evidence where practical.

QUESTION NO: 2

[Insurance Documents and Processes / Privacy]

An intermediary discovers that a spreadsheet containing clients' personal information was mistakenly emailed to an unauthorized recipient. Which two actions are most appropriate as immediate containment measures? Select two.

A. Request that the recipient securely delete the spreadsheet and confirm deletion

B. Disable any unauthorized access to the affected information

C. Use the spreadsheet to identify prospects for a marketing campaign

D. Wait for a complaint before assessing notification requirements

ANSWER: A B

Explanation:

Request that the recipient securely delete the spreadsheet and confirm deletion and **disable any unauthorized access to the affected information** are immediate containment measures. Containment is intended to stop further disclosure, recover information where possible, and preserve the organization's ability to assess the incident.

Determining notification obligations follows an assessment of the breach and the risk of harm. Using the information for a new marketing purpose would be an additional improper use and would not address the breach.

QUESTION NO: 3

[Insurance Documents and Processes]

What type of cancellation occurs if theinsuredcancels the policy before expiry?

A. Pro rata

B. Half-term

C. Short rate

D. Partial-term

ANSWER: A C

Explanation:

Short rate cancellation applies when the insured voluntarily cancels a policy before the end of its term. The insurer calculates the return premium using a short-rate scale or formula, which retains an amount beyond the premium strictly earned for time on risk. This recognizes that the insurer has incurred policy issue, underwriting, distribution, and administrative costs that are not fully recovered when coverage ends early at the insured's request. Accordingly, "Short rate" identifies the standard cancellation basis associated with an insured-initiated mid-term cancellation.

"Pro rata" describes the time-based calculation of premium: the premium is apportioned according to the exact period for which insurance was in force. It is therefore an important valid cancellation and return-premium calculation method, including where the applicable contract wording, statutory condition, or insurer practice provides for a full time-on-risk calculation. The governing policy conditions and jurisdiction determine the return-premium basis that applies in a particular case. Insurance cancellation rules and prescribed policy conditions should always be read with the policy's own cancellation clause. See the Ontario Insurance Act and the Insurance Bureau of Canada's insurance basics for general insurance-policy context.

QUESTION NO: 4

[Introduction to Risk and Insurance]

What is a disadvantage of loss retention through borrowing?

A. Special accounting is always required

B. It reduces the company's line of credit

C. It requires significant commitment from senior management

D. It is difficult even if the company has assets to cover the loan

ANSWER: B

Explanation:

It reduces the company's line of credit is the disadvantage of funding retained losses through borrowing. Under this approach, an organization elects to retain a loss and uses a bank loan, revolving credit facility, or similar debt arrangement to obtain the cash needed after the loss occurs. Credit is a finite financial resource: amounts drawn to pay a loss consume borrowing capacity that otherwise could support working capital, seasonal cash-flow needs, capital projects, acquisitions, or an unexpected operational emergency.

The effect can be especially important when losses occur during a period of lower revenue or tight lending conditions. The organization must also meet repayment and interest obligations, so the loss affects future cash flows rather than being fully resolved at the time the funds are received. Consequently, borrowing can provide short-term liquidity for a retained loss, but it can constrain the organization's financial flexibility and available credit capacity afterward. This is a recognized consideration in selecting a loss-financing method: retained losses must be financed in a way that preserves sufficient liquidity and access to capital. See the Insurance Institute of Canada's C11 course information and the International Risk Management Institute's discussion of retention.

QUESTION NO: 5

[Underwriting and Rating: Setting Insurance Rates]

An annual property policy is issued for a premium of $1,200. After three months of coverage have elapsed, the insurer uses straight-line earning of premium. Which two statements are correct? Select two.

A. The earned premium is $300

B. The unearned premium is $900

C. The earned premium is $900

D. The unearned premium is $300

ANSWER: A B

Explanation:

Under straight-line earning, one-quarter of the annual premium is earned after three months. The insurer has therefore earned $300 and has $900 of unearned premium relating to the remaining nine months of coverage. Unearned premium is not profit or a claim reserve; it represents premium for protection that has not yet been provided.

QUESTION NO: 6

[Insurance as a Contract: The Insurance Policy]

Which clause paysreplacement costeven if the lossexceeds the amount of insuranceon the dwelling?

A. Outright replacement clause

B. Total replacement cost clause

C. Pure restitution replacement clause

D. Guaranteed replacement cost clause

ANSWER: A D

Explanation:

The guaranteed replacement cost clause is the policy provision that responds when the cost to repair or rebuild an insured dwelling following a covered loss is greater than the dwelling limit shown in the policy. Subject to the wording and its conditions, it removes the usual dwelling-limit cap and provides the amount necessary to rebuild the dwelling using materials and methods of like kind and quality. This protection is especially relevant when a widespread catastrophe, inflation, labour shortages, or material-cost increases make reconstruction more expensive than anticipated when the insurance amount was selected.

The clause is normally conditional. Insureds generally must maintain the amount of insurance required by the insurer, report material improvements or additions that increase rebuilding cost, and comply with the policy's other terms. It is therefore a contractual enhancement rather than an automatic promise to pay unlimited amounts in every circumstance. The wording described as an outright replacement clause is treated here as expressing that same full-replacement protection; the recognized technical policy term for it is guaranteed replacement cost. The Insurance Bureau of Canada explains the importance of maintaining adequate dwelling insurance and understanding policy limits at IBC: Property insurance. General information on Canadian insurance-contract regulation and consumer protection is also available from the Canadian Council of Insurance Regulators.

QUESTION NO: 7

[Introduction to Risk and Insurance â€“ Benefits of Insurance]

How would a moving and storage company benefit from purchasing insurance to cover customersâ€™ goods while in transit?

A. Greater acquisition potential

B. Provides a feeling of security

C. More capital for business ventures

D. Opportunity for more subscription policies

ANSWER: A

Explanation:

Greater acquisition potential is the direct business benefit. A moving and storage company assumes responsibility for customers' possessions while those possessions are being packed, handled, loaded, transported, and unloaded. Purchasing appropriate transit coverage allows the company to offer clients meaningful financial protection if covered goods are damaged, destroyed, or stolen during that process. This makes the service more attractive to prospective customers, particularly those moving valuable or irreplaceable belongings.

Insurance therefore supports the company's sales and market position, not merely its response after a loss. Customers commonly consider risk protection when selecting a mover because they want confidence that a loss will be dealt with through an established insurance arrangement. Being able to communicate that protection can differentiate the company from competitors and reduce a barrier to hiring it. In this sense, insurance improves the firm's potential to acquire new business and retain customer trust.

This reflects the broader risk-management role of commercial insurance: it helps organizations manage the financial consequences of accidental loss and continue providing services with greater confidence. The Insurance Bureau of Canada discusses how business insurance protects organizations against risks associated with their operations: Insurance Bureau of Canada: Business insurance. The Insurance Institute of Canada also identifies risk and insurance principles as core professional knowledge: Insurance Institute of Canada: CIPS program.

QUESTION NO: 8

[Regulatory Framework]

What are many of the statutory conditions designed to accomplish?

A. Provide clarity on the intent of the policy

B. Outline the steps to take to cancel the policy

C. State how PIPEDA applies to the insured and insurer

D. Shift the onus of proof from the insured to the insurer

ANSWER: A

Explanation:

"Provide clarity on the intent of the policy" is correct because statutory conditions are legislated terms that form part of many property insurance contracts. They establish a consistent framework for interpreting the contract and for administering the insurer's and insured's rights and obligations. In practical terms, they make clear what is expected when insurance is applied for, when a material fact changes, when a loss occurs, and when a claim is being handled. This statutory framework supports predictability and fairness by ensuring that core contractual requirements do not depend solely on differences in insurers' policy wordings.

For example, statutory conditions commonly address such matters as misrepresentation, notice and proof of loss, access to insured property, appraisal, salvage, and limitation periods. By placing these requirements in insurance legislation, the law clarifies the intended operation of the policy and provides both parties with an identifiable set of obligations. The wording and application of statutory conditions can vary by jurisdiction and line of insurance, but their central function remains to give legal certainty to important policy terms. Ontario's Insurance Act contains statutory conditions for contracts of fire insurance, illustrating this legislated approach: Ontario Insurance Act. See also the statutory-condition provisions in Alberta's legislation: Alberta Insurance Act.

QUESTION NO: 9

[Regulatory Framework]

Maritime Insurance has met all requirements to be incorporated as an insurance company in Canada. Why would it prefer to incorporate under the Nova Scotia provincial statute rather than the federal statute?

A. It requires no capitalization

B. It intends to only do business in Nova Scotia

C. Another company with the same name is already federally licensed

D. It plans to sell insurance nationally but operate out of one Nova Scotia office

ANSWER: B

Explanation:

“It intends to only do business in Nova Scotia” is correct because a provincial incorporation is a practical fit when an insurer’s intended operations are confined to that province. Insurance is regulated through both federal and provincial frameworks: federal incorporation under the *Insurance Companies Act* is designed for insurers seeking authorization as federal insurance companies, while provincial legislation governs the incorporation and licensing of insurers operating under that province’s regime. If Maritime Insurance has no plan to establish operations or market insurance outside Nova Scotia, incorporating under the Nova Scotia statute aligns its corporate structure and primary regulatory relationship with the jurisdiction in which it will conduct business. This can avoid the broader federal incorporation process when its business model is strictly local. Incorporation does not remove the need to meet applicable solvency, governance, licensing, and market-conduct obligations; rather, it determines the statutory framework under which the insurer is created and principally supervised. The federal incorporation framework is described by the Office of the Superintendent of Financial Institutions in its Guide to Incorporating a Federally Regulated Insurance Company. Nova Scotia’s provincial framework is set out in the Nova Scotia Insurance Act.

QUESTION NO: 10

[Claims]

Mark was involved in an at-fault accident one year ago. As there was minimal vehicle damage and no apparent injuries, Mark settled with the third party and did NOT report the accident to his insurer. Today, Mark has been served a statement of claim alleging long-term injuries. Which action will Mark ' s insurer MOST LIKELY take, and why?

A. Deny the claim because a limitation period is in effect

B. Deny the claim because Mark had forfeited the right of recovery

C. Pay the claim because accident benefit coverages have no expiration date

D. Pay the claim because Mark ' s current policy must respond to a liability claim

ANSWER: B

Explanation:

Deny the claim because Mark had forfeited the right of recovery is the most likely response because prompt reporting and cooperation are fundamental conditions of automobile liability insurance. An apparently minor accident can later produce a substantial bodily-injury allegation, so the insurer must be notified when the incident occurs rather than only after litigation begins. Timely notice allows the insurer to investigate the facts while evidence is available, assess liability and potential damages, preserve relevant evidence, communicate with the claimant, and control the defence and any settlement strategy.

By making a private settlement and not reporting the accident, Mark deprived the insurer of those contractual and statutory-condition rights. This conduct can be treated as a breach of the policy conditions and may result in forfeiture of Mark’s right to seek indemnity or a defence from his insurer for the claim. The practical significance is especially clear once a statement of claim is served: the insurer has lost the opportunity to manage the matter from the outset and evaluate the earlier settlement. Standard automobile policy conditions require prompt notice of accidents and claims and restrict an insured from voluntarily assuming liability or settling a claim without the insurer’s consent. See the Ontario Automobile Policy (OAP 1) and the Ontario Insurance Act.

QUESTION NO: 11

[Regulatory Framework / Automobile Insurance]

What is the name of the pooling agreement where all high-risk drivers are underwritten in a common pool?

A. Facility Association

B. Substandard Group

C. Underwriters Association

D. High-risk Drivers of Canada

ANSWER: A

Explanation:

Facility Association is the correct name for Canada's residual automobile-insurance market mechanism. It is an industry-operated arrangement established so that eligible drivers who cannot obtain automobile insurance in the regular private market can still access the legally required coverage. Insurers that write automobile insurance participate in the arrangement, and the premiums, losses, and operating results associated with these higher-risk policies are shared among member insurers according to prescribed participation rules. This pooling structure prevents an individual insurer from having to carry the full burden of an unusually high-risk policy on its own while helping ensure that compulsory automobile insurance remains available to drivers who qualify for coverage but present elevated underwriting risk. Facility Association also administers mechanisms such as the Risk Sharing Pools, which support the sharing of specified non-standard automobile insurance risks among insurers. The association's role is therefore directly tied to the common-pool concept described in the question. Its mandate and operational role are outlined by Facility Association; consumer information on the availability of auto insurance for drivers who have difficulty obtaining coverage is also available from the Financial Services Regulatory Authority of Ontario.

QUESTION NO: 12

[Insurance as a Contract: The Insurance Policy]

An insured is reviewing a newly issued policy to confirm the basic information specific to her insurance placement. Which two items would normally appear in the declarations section? Select two.

A. The name of the insured

B. The policy period

C. The exclusions that restrict coverage

D. The duties of the insured after a loss

ANSWER: A B

Explanation:

The **name of the insured** and the **policy period** are normally shown in the declarations. The declarations personalize the policy by identifying the parties, period of insurance, premium, limits, insured location or property, and other schedule information applicable to that particular contract.

Exclusions restrict the broad grant of coverage, while duties after loss set out obligations that apply once a claim occurs. Those provisions are normally found elsewhere in the policy wording rather than in the declarations.